



KINGSWAY FINANCIAL SERVICES INC.

INVESTOR PRESENTATION
NOVEMBER 2015

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements related to our future growth, trends in our operating companies' businesses and industries and our financial and operational results and performance that are based on management's current expectations, forecasts and assumptions involving risks and uncertainties that could cause outcomes and results to differ materially. 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, see Kingsway's securities filings, including its 2014 Annual Report on Form 10-K, under the heading Risk Factors. The securities filings can be accessed on the Canadian Securities Administrators' website at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission's website at www.sec.gov or through the Company's website at www.kingsway-financial.com. Kingsway Financial Services Inc. does not undertake to update the forward-looking statements to reflect the impact of circumstances or events that may arise after the date of this presentation.

All dollar amounts set forth in this presentation are in U.S. dollars.

VALUE BUILDING PHILOSOPHY

Compounding capital in the long-term with investments/acquisitions/financings that offer asymmetric risk/reward potential with a margin of safety supported by private market values

KINGSWAY IS A MERCHANT BANK

- Kingsway is a **merchant bank** with a focus on long-term value-creation
- Insurance industry assets provide **financial foundation** enabling Kingsway to create a portfolio of attractive risk/reward opportunities
- Dedicated and **aligned** management team and Board of Directors that has transformed the Company
 - Meaningful stake (approximately 37% including restricted shares)
 - Invested over \$12 million over the past 24 months
- Focused on **long-term value creation** through investments, acquisitions and financings
 - Approximately \$850 million in NOLs will provide considerable value to profitable opportunities
 - Private market values match view of long-term value creation rather than market's quarterly view
- **History of successful transactions** providing capital for future acquisitions and growth opportunities
 - Atlas Financial Holdings, Inc. (Nasdaq: AFH) – Completed U.S. IPO in February 2013
 - 1347 Property Insurance Holdings, Inc. (Nasdaq: PIH) – Completed U.S. IPO in April 2014
 - 1347 Capital Corp. (Nasdaq: TFSC) – Completed U.S. IPO in July 2014

Kingsway At-A-Glance

Ticker	KFS (NYSE), KFS.TO (TSX)
Stock Price	\$4.40 (as of 11/20/2015)
Shares Outstanding	19.7 million
Market Cap	\$86.7 million (as of 11/20/2015)
US Headquarters	Itasca, Illinois
Sector/Industry	Financial, insurance

UNDERSTANDING KINGSWAY'S HISTORY

2009

- Previous management and board replaced
- Multi-year plan to shed assets and streamline ops
- Embarked on plan to reduce Kingsway's debt; total principal at 12/31/2008: **\$341.0 million**
- Disposed of Zephyr Insurance Company, Inc.

2010

- Larry Swets joined Kingsway in January 2010; named CEO in June 2010
- Bill Hickey joined Kingsway in August 2010; named CFO in April 2011
- Disposed of Jevco Insurance Company
- Acquired JBA, now known as Assigned Risk Solutions
- AFH goes public in a "spin out" transaction from Kingsway

2012

- Acquired IWS Acquisition Corporation in Q4 2012
- Retired remaining 6.0% Senior Debentures

2013

- AFH completed U.S. IPO in February 2013
- Acquired Trinity Warranty Solutions in May 2013
- Closed rights offering for \$13.1 million in gross proceeds in September 2013

2014

- Closed private placement for \$6.6 million in gross proceeds in February 2014
- Retired remaining 7.50% Senior Notes
- Since 2008, reduced total debt principal
- Wholly owned subsidiary PIH completed IPO in April 2014

2015 – CONTINUED PROGRESS

2015

- Announces sale of Assigned Risk Solutions Ltd. to National General Holdings Corp.
- Announces Buy-out of Management Services Agreement with 1347 Property Insurance Holdings, Inc.
- Pays \$22.1 million to its Trust Preferred Trustees to satisfy entirety of deferred interest
- Approves Share Repurchase Program to repurchase up to 5%, or nearly 1 million shares, of its currently issued and outstanding common stock

HOW WE THINK ABOUT BUILDING VALUE

Compounding Capital

Concentration on insurance companies, which provide unique investment vehicles to compound and leverage investment results

A Long-term Perspective

Focus on a 15-30 year perspective when creating/building value, while recognizing short- and near-term realities

Asymmetric Risk/Reward

Consider upside and downside probabilities, with focus on investing when weighted upside potential is multiples of the downside

Margin of Safety





Looking for classic margin of safety as building value is not without its risks

Private Market Values

Focus on understanding private market values, which better match long-term perspective

Compounding capital in the long term with investments/acquisitions/financings that offer asymmetric risk/reward potential with a margin of safety supported by private market values.

KINGSWAY'S BUSINESSES

	<i>Type of Business</i>				
	Traditional Insurance	Warranty	Insurance Services	Risk-Taking	Fee for Service
	◆			◆	
		◆		◆	◆
		◆			◆
	◆			◆	

* PIH (Nasdaq: PIH) IPO in April 2014; KFS currently owns approximately 16%



CASE STUDY: SALE OF ARS



Assigned Risk Solutions (“ARS”)

Combination of Northeast Alliance Insurance Agency and JBA & Associates
Partners with Berkshire Hathaway’s National Liability & Fire Insurance Company

- ARS is an insurance services business that underwent a strategic review process in 2014. One of the take-aways from that process was a more acute understanding of the risks of the business, and determined that it was suited for an owner with a much larger base to diversify the risk.
- Given that we no longer believed the business delivered to Kingsway the asymmetric reward potential in relation to this risk, we made the decision to exit the business.
- Sold Business to National General Holdings Corp. for \$47 million in cash and potential future earn-out payments
- Win / Win Transaction
- The disposition of ARS nearly five years after the acquisition of JBA & Associates enabled us to convert \$31.8 million of goodwill and intangible assets into cash that can now be redeployed.

CASE STUDY: ATLAS FINANCIAL HOLDINGS

- Atlas Financial Holdings, Inc. (“Atlas” or “AFH”) is a combination of former Kingsway units American Country Insurance Company and American Service Insurance Company, Inc.
 - Commercial auto insurance in the U.S.
 - Niche markets of taxi/limo/para-transit
- Atlas going public transaction in Canada completed in 2010
- Atlas completed a successful U.S. IPO in February 2013 and trades on the Nasdaq stock exchange under the symbol AFH
- Atlas book value per common share is \$9.88, as of 9/30/2015

Prime example of identifying talented managers and attractive loss ratio business



INSURANCE UNDERWRITING – NSA BUSINESS



Mendota is a non-standard automobile (“NSA”) insurance carrier; current management has substantially repositioned the business relative to prior strategic direction

Previous NSA View on Premium

- Kingsway wrote total NSA premium of \$350 million in 33 states at its “peak”
- Established goals based on growth targets

Today’s NSA View on Premium

- Focused solely on writing profitable premiums
- In first nine months of 2015, Kingsway reported NSA net premiums earned of \$88.4 million
- Aiming to achieve return on capital of 10%-15% over the long term

INSURANCE SERVICES



- **IWS Acquisition Corporation (“IWS”)**

- Kingsway acquired in November 2012 in a highly structured transaction for total consideration consisting of cash, future contingent payments and common equity in a newly formed entity
- Providing after-market vehicle protection services since 1991
- IWS distributes and markets its products in 26 states



- **Trinity Warranty Solutions (“TWS”)**

- Kingsway acquired in May 2013
- Provides warranty and dispatch services on heating, ventilation, air-conditioning (HVAC) equipment

- Identifies and targets specialty insurance businesses and special situation investments for acquisition or financing with a goal of managing, improving, and growing to create value for Kingsway's shareholders
- Principals of 1347 Capital LLC have been active in public and private markets using financial tools appropriate for each situation
 - Sponsored insurance-focused public company stock offerings, including FMG Acquisition Corp., a special purpose acquisition company that merged with United Insurance to form United Insurance Holdings Corp (Nasdaq: UIHC)
 - Held controlling interests in Risk Enterprise Management Limited and Avalon Risk Management Insurance Agency LLC
 - Formation, reverse merger, and public stock offering of Atlas (Nasdaq: AFH)
 - Founding and public stock offering of PIH (Nasdaq: PIH)
- In March 2014, Gordon G. Pratt (CEO of Fund Management Group) appointed Chairman of 1347 Capital LLC as Kingsway looks to accelerate merchant banking strategy
- In July 2014, 1347 Capital Corp, a special purpose acquisition company intended to enter into a business combination with one or more businesses or entities, completed a \$46 million IPO.

MANAGEMENT / ALIGNMENT OF INTERESTS

Dedicated and experienced management team and Board of Directors has transformed the Company

- Meaningful stake (approximately 37% including restricted shares)
- Invested approximately \$6.6 million over the past 24 months in private placement and rights offering (see below); and an additional \$5 million from warrant exercises by Directors and Officers



Larry G. Swets, Jr.

President and CEO, Kingsway Financial Services Inc.

- Joined Kingsway in January 2010
- Founded Itasca Financial LLC, an advisory and investment firm specializing in the insurance industry
- Graduated from Valparaiso University and earned a master's degree in Finance from DePaul University
- Awarded the Chartered Financial Analyst designation

William A. Hickey, Jr.

EVP, COO and CFO, Kingsway Financial Services Inc.

- Joined Kingsway in August 2010
- Former Managing Director, COO and CFO for Fox-Pitt Kelton Cochran Caronia Waller
- Graduated from University of Notre Dame and earned a Masters of Management degree in finance and management policy from J.L. Kellogg Graduate School of Management at Northwestern University
- Awarded the Chartered Financial Analyst and the Certified Public Accountant designations

POSITIONED FOR GROWTH IN BOOK VALUE

- Operations stabilized as exhibited by: NSA improved operating performance and reduced overhead
- Passive portfolio results
- Opportunity to make leveraged investments (e.g. leveraged NNN real estate credit tenant portfolio) to effectively turn our NOLs into accreted value by absorbing phantom taxes of these structures
- Building capital and providing opportunities for future growth of capital through vehicles like SPAC 1347 Capital Corp.

KEY TAKEAWAYS

- Kingsway provides an opportunity to invest in a diverse pool of insurance assets and insurance-related businesses led by experienced leadership team with a history of success
- Through our merchant bank platform, we have the opportunity to capitalize on changing markets through a variety of funding and investing vehicles
- Kingsway plans to leverage its relationships and assets to opportunistically seek new sources of revenue and earnings in order to return value to shareholders



CONTACT US

Investor Relations

*Hassan Baqar
Kingsway Financial Services Inc.
1.847.700.8064
hbaqar@kingswayfinancial.com*

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