REFINITIV

DELTA REPORT

10-K

KFS - KINGSWAY FINANCIAL SERVIC

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	5851
CHANGES	618
DELETIONS	2859
ADDITIONS	2374

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022 December 31, 2023

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)

Delaware	85-1792291
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10 S. Riverside Plaza, Suite 1520 Chicago, IL	60606
(Address of principal executive offices)	(Zip Code)

1-312-766-2138
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Trading Symbol**	**Name of Each Exchange on Which Registered**
Common Stock, no par value $0.01 per share	KFS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller Reporting Company☒ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2022 June 30, 2023, the aggregate market value of the registrant's voting common stock held by non-affiliates of registrant was $48,712,518 $90,673,836 based upon the closing sale price of the common stock as reported by the New York Stock Exchange. Solely for purposes of this calculation, all executive officers and directors of the registrant are considered affiliates.

The number of shares, including restricted common shares, of the Registrant's Common Stock outstanding as of March 8, 2023 5, 2024 was 25,045,024. 28,121,271.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K is incorporated by reference to certain sections of the Proxy Statement for the 2022 2023 Annual Meeting of Shareholders, which will be filed with the Securities and Exchange Commission no later than 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023.

KINGSWAY FINANCIAL SERVICES INC.

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Caution Regarding Forward-Looking Statements

This 2022 2023 Annual Report on Form 10-K (the "2022 "2023 Annual Report"), including the accompanying consolidated financial statements of Kingsway Financial Services Inc. ("Kingsway") and its subsidiaries (individually and collectively referred to herein as the "Company") and the notes thereto appearing in Item 8 herein (the "Consolidated Financial Statements"), Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in Item 7 herein ("MD&A"), and the other Exhibits and Financial Statement Schedules filed as a part hereof or incorporated by reference herein may contain or incorporate by reference information that includes or is based on 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.

Forward-looking statements relate to future events or future performance and reflect Kingsway management's current beliefs, based on information currently available. The words "anticipate," "expect," "believe," "may," "should," "estimate," "project," "outlook," "forecast" and variations or similar words and expressions are used to identify such forward looking information, but these words are not the exclusive means of identifying forward-looking statements. Specifically, statements about (i) the Company's ability to preserve and use its net operating losses; (ii) the Company's expected liquidity; and (iii) the potential impact of volatile investment markets and other economic conditions on the Company's investment portfolio, among others, are forward-looking, and the Company may also make forward-looking statements about, among other things:

- its results of operations and financial condition (including, among other things, net and operating income, investment income and performance, return on equity and expected current returns);
- changes in industry trends and significant industry developments, especially as it relates to the automotive service contract and business services industries;
- the impact of certain guarantees and indemnities made by the Company;
- its ability to complete and integrate current or future acquisitions successfully;
- its ability execute its strategic initiatives successfully; and
- the potential impact of the uncertainties related to actual or potential changes in international, national, regional and local economic, business and financial conditions on the short and long-term economic effects on the Company's business.

For a discussion of some of the factors that could cause actual results to differ, see Item 1A,"Risk Factors" and our disclosures under the heading "Significant Accounting Policies and Critical Estimates" in MD&A in this 2022 2023 Annual Report.

Except as expressly required by applicable securities laws, 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, that might arise subsequent to the date of this 2022 2023 Annual Report.

Part I
Item 1. BUSINESS

In this report, the terms "Kingsway," the "Company," "we," "us" or "our" mean Kingsway Financial Services Inc. and all entities included in our Consolidated Financial Statements.

Kingsway Financial Services Inc. was incorporated under the Business Corporations Act (Ontario) on September 19, 1989. Effective December 31, 2018, the Company changed its jurisdiction of incorporation from the province of Ontario, Canada, to the State of Delaware. The Company's registered office is located at 10 S. Riverside Plaza, Suite 1520, Chicago, Illinois 60606. The common shares of Kingsway are listed on the NYSE under the trading symbol "KFS."

Kingsway is a holding company with operating subsidiaries located in the United States. The Company owns or controls subsidiaries primarily in the extended warranty and business services industries. Kingsway conducts its business through two reportable segments - Extended Warranty and Kingsway Search Xcelerator - that conduct their business and distribute their products and services in the United States.

Prior to the fourth quarter of 2022, the Company conducted its business through a third reportable segment, Leased Real Estate, which included the following subsidiaries of the Company: CMC Industries, Inc. ("CMC") and VA Lafayette, LLC ("VA Lafayette"):

- CMC owned, through an indirect wholly owned subsidiary (the "Property Owner"), a parcel of real property consisting of approximately 192 acres located in the State of Texas (the "Real Property"), which is was subject to a long-term triple net lease agreement. The Real Property is was also subject to two mortgages. On December 22, 2022, the Company announced a definitive agreement for the sale of the Real Property, for gross cash proceeds of $44.5 million and the assumption of the two mortgages. On December 29, 2022, the sale was completed.
- VA Lafayette owns real property consisting of approximately 6.5 acres and a 29,224 square foot single-tenant medical office building located in the State of Louisiana (the "LA Real Property"). The LA Real Property serves as a medical and dental clinic for the Department of Veteran Affairs and is subject to a long-term lease. The LA Real Property is also subject to a mortgage (the "LA Mortgage"). During the fourth quarter of 2022, the Company began executing a plan to sell VA Lafayette, and as a result, VA Lafayette is reported as held for sale at December 31, 2022 and December 31, 2023.
- Both CMC and VA Lafayette have been classified as discontinued operations and the results of their operations are reported separately for all periods presented. All segmented information has been restated to exclude the Leased Real Estate segment for all periods presented.

Financial information about Kingsway's reportable business segments for the years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 is contained in the following sections of this 2022 2023 Annual Report: (i) Note 22, "Segmented Information,"to the Consolidated Financial Statements; and (ii) "Results of Continuing Operations" section of MD&A.

All of the dollar amounts in this 2022 2023 Annual Report are expressed in U.S. dollars.

GENERAL DEVELOPMENT OF BUSINESS

Acquisition of CSuite Financial Partners, LLC

Systems Products International, Inc.

On November 1, 2022 September 7, 2023, the Company acquired 100% of the outstanding equity interests of CSuite Financial Partners, LLC Systems Products International, Inc. ("CSuite" SPI"). CSuite, SPI, based in Manhattan Beach, California, Miami, Florida, is a national financial executive services firm providing financial vertical market software company, created exclusively to serve the management leadership to companies in every industry, regardless needs of size, throughout the United States. CSuite all types of shared-ownership properties. SPI is included in the Kingsway Search Xcelerator segment.

The Company acquired CSuite SPI for aggregate cash consideration of approximately $8.5 million $2.8 million, less certain escrowed amounts for purposes of indemnification claims and working capital adjustments. The Company will also pay additional contingent consideration, only closing purchase price was paid with cash on hand. Further information is contained in Note 4, "Acquisitions," to the extent earned, Consolidated Financial Statements.

Acquisition of Digital Diagnostics Imaging, Inc.

On October 26, 2023, the Company acquired 100% of the outstanding equity interests of Digital Diagnostics Imaging, Inc. ("DDI"). DDI, based in an Wall, New Jersey, is a provider of fully managed outsourced cardiac telemetry services. DDI is included in the Kingsway Search Xcelerator segment.

The Company acquired DDI for aggregate amount cash consideration of up to $3.6 million approximately $11.0 million, which is subject to less certain conditions, including the successful achievement of certain financial metrics escrowed amounts for CSuite during the three-year period commencing on the first full calendar month following the acquisition date. purposes of indemnification claims and working capital adjustments. Further information is contained in Note 4, "Acquisitions," to the Consolidated Financial Statements.

The closing purchase price was paid with cash on hand; however, subsequent to the CSuite acquisition, on November 16, 2022, the Company amended its October 1, 2021 loan agreement with Avidbank to borrow an additional $6.0 million in the form of a supplemental term loan (the "2022 Ravix Loan"). The 2022 Ravix Loan has a variable interest rate equal to the Prime Rate plus 0.75%. The 2022 Ravix Loan requires monthly principal and interest payments and the term loan matures on November 16, 2028.

Acquisition of Secure Nursing Service, Inc.

On November 18, 2022, the Company acquired substantially all of the assets and assumed certain specified liabilities of Secure Nursing Service, Inc. ("SNS"). SNS, based in Los Angeles, California, employs highly skilled, professional per diem and travel Registered Nurses, Licensed Vocational Nurses, Certified Nurse Assistants and Allied Healthcare Professionals with multiple years of acute care hospital experience. SNS places these healthcare professionals in both per diem assignments, and in short-term and long-term travel assignments in a variety of hospitals in southern California. SNS is included in the Kingsway Search Xcelerator segment.

The Company acquired SNS for aggregate cash consideration of $11.5 million, less certain escrowed amounts for purposes of indemnification claims and working capital adjustments. Further information is containe d in Note 4 , "Acquisitions ," to the Consolidated Financial Statements.

The closing purchase price was financed with a combination of debt financing provided by Signature Bank and cash on hand. Secure Nursing Service DDI Acquisition, LLC and Pegasus Acquirer LLC, DDI, subsidiaries of Kingsway, borrowed a total of $6.5 million $5.6 million, in the form of a term loan, and established a $1 million $0.4 million revolver (together, the "SNS "DDI Loan") that was undrawn at close. The DDI Loan has a variable interest rate equal to the Prime Rate plus 0.50%, with a floor of 5.00%. The SNS DDI Loan requires monthly interest payments. Monthly principal and interest payments begin in December 2024, and the term loan matures on November 18, 2028 October 26, 2029.

Disposal of Professional Warranty ServiceCorporation

On July 29, 2022, Professional Warranty Services LLC ("PWS LLC"), a subsidiary of the Company entered into an Equity Purchase Agreement (the "PWSC Agreement") with Professional Warranty Service Corporation ("PWSC"), an 80% majority-owned, indirect subsidiary of the Company, Tyler Gordy, the president of PWSC and a 20% owner of PWSC ("Gordy") and PCF Insurance Services of the West, LLC ("Buyer"), pursuant to which PWS LLC and Gordy sold PWSC to Buyer.

The purchase price paid by Buyer to PWS LLC and Gordy consisted of $51.2 million in base purchase price, subject to customary adjustments for net working capital, and non-compensation related transaction expenses of approximately $1.7 million.

To the extent the EBITDA of PWSC (as defined in the PWSC Agreement) for the one-year period following the sale transaction exceeds 103% of the EBITDA at the closing of the sale transaction (the "Closing EBITDA"), PWS LLC and Gordy will also be entitled to receive an earnout payment in an amount equal to five times the EBITDA in excess of 103% of Closing EBITDA. The Company does not have access to the information needed to reasonably estimate the potential earnout payment and accordingly any gain related to the earnout payment will be recorded in the period the consideration is determined to be realizable. Further information is contained in Note 5, "Disposal and Discontinued Operations" to the Consolidated Financial Statements.

Sale of CMC Real Property

On December 22, 2022, TRT Leaseco, LLC (“TRT”), an indirect subsidiary of the Company, entered into a Purchase and Sale Agreement (the “Agreement”) with BNSF Dayton LLC ("Purchaser"), pursuant to which TRT agreed to sell to the Purchaser the Real Property. The Real Property was subject to two mortgages. TRT is also the landlord under an existing railway lease over the Real Property. An affiliate of the Purchaser is the current tenant under the existing railway lease. Under the terms of the Agreement, at the closing on December 29, 2022, TRT assigned, and the Purchaser assumed, the rights and obligations of the landlord under the existing railway lease.

The purchase price paid by the Purchaser at the closing consisted of $44.5 million in cash plus the assumption of the unpaid principal balance as of the closing of the two mortgages of approximately $170.7 million, netting cash proceeds of $21.4 million to Kingsway after taxes, fees and distribution to the minority shareholder. Further information is contained in Note 5, "Disposal and Discontinued Operations" to the Consolidated Financial Statements.

Asset Held for Sale

During the fourth quarter of 2022, the Company's subsidiary VA Lafayette was classified as held for sale. Further information is contained in Note 5, "Disposal and Discontinued Operations" to the Consolidated Financial Statements. VA Lafayette owns the LA Real Property, which is also subject to the LA Mortgage.

EXTENDED WARRANTY SEGMENT

Extended Warranty includes the following subsidiaries of the Company (collectively, "Extended Warranty"):

- IWS Acquisition Corporation ("IWS")
- Geminus Holding Company, Inc. ("Geminus")
- PWI Holdings, Inc. ("PWI")
- Professional Warranty Service Corporation ("PWSC"), up until its sale on July 29, 2022
- Trinity Warranty Solutions LLC ("Trinity")

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IWS is a licensed motor vehicle service agreement company and is a provider of after-market vehicle protection services distributed by credit unions in 25 24 states and the District of Columbia to their members, with customers in all 50 states.

Geminus primarily sells and administers vehicle service agreements to used car buyers across the United States, through its subsidiaries, The Penn Warranty Corporation ("Penn") and Prime Auto Care Inc. ("Prime"). Penn and Prime distribute these products in 39 47 and 40 states, respectively, via independent used car dealerships and franchised car dealerships. The business models are supported by an internal sales and operations team.

PWI markets, sells and administers vehicle service agreements to used car buyers in all fifty states via independent used car and franchise networks of approved automobile and motorcycle dealer partners. PWI’s business model is supported by an internal sales and operations team and partners with American Auto Shield ("AAS") in three states with a "white label" agreement. PWI also has a "white label" agreement with Norman & Company, Inc., that sells and administers a guaranteed asset protection product ("GAP"), under the Classic product Penn name, in states in which Classic where Penn is approved.

As discussed in Note 5, "Disposal and Discontinued Operations" to the Consolidated Financial Statements, the Company disposed of PWSC on July 29, 2022. The earnings of PWSC are included in the consolidated statements of operations and the segment disclosures through the disposal date. PWSC sells sold home warranty products and provides provided administration services to homebuilders and homeowners across the United States. PWSC distributes distributed its products and services through an in-house sales team and through insurance brokers and insurance carriers throughout all states except Alaska and Louisiana.

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Trinity sells heating, ventilation, air conditioning ("HVAC"), standby generator, commercial LED lighting and commercial refrigeration warranty products and provides equipment breakdown and maintenance support services to companies across the United States. As a seller of warranty products, Trinity markets and administers product warranty contracts for certain new and used products in the HVAC, standby generator, commercial LED lighting and commercial refrigeration industries throughout the United States. Trinity acts as an agent on behalf of the third-party insurance companies that underwrite and guaranty these warranty contracts. Trinity does not guaranty the performance underlying the warranty contracts it sells. As a provider of equipment breakdown and maintenance support services, Trinity acts as a single point of contact to its clients for both certain equipment breakdowns and scheduled maintenance of equipment. Trinity will provide such repair and breakdown services by contracting with certain HVAC providers.

Extended Warranty Products

Automotive

IWS, Geminus and PWI market and administer vehicle service agreements ("VSAs") and related products for new and used automobiles throughout the United States. IWS and PWI also market and administer VSAs for motorcycles and ATV's. A VSA is an agreement between the Company and the vehicle purchaser under which the Company agrees to replace or repair, for a specific term, designated vehicle parts in the event of a mechanical breakdown. VSAs supplement, or are in lieu of, manufacturers' warranties and provide a variety of extended coverage options. The cost of the VSA is a function of the contract term, coverage limits and type of vehicle.

- IWS serves as the administrator on all contracts it originates. VSA's range from one to seven years and/or 12,000 miles to 125,000 miles. The average term of a VSA is between four and five years.
- Geminus goes to market through its subsidiaries, Penn and Prime. Penn and Prime serve as the administrator on all contracts they originate and its VSAs range from three months to sixty months and/or 3,000 miles to 165,000 miles. Penn offers a limited product line of vehicle service agreements with unlimited miles offerings that have an average term of twelve to twenty-four months.
- PWI serves as the contract administrator and originator in all states, except for Alaska, Florida and Washington. In those states, PWI partners with American Auto Shield ("AAS") in a white label relationship where the VSAs are branded PWI, are originated and administered by AAS, with PWI generating fee income on every contract sold. Across all states, PWI has an extensive menu of VSAs with terms starting at three months to ninety-six months and mileage bands up to 200,000 miles. Products range from basic Powertrain to the Exclusionary product ("Premier"). The average term of a VSA is twenty-two twenty-four to thirty-six months.

In addition to marketing vehicle service agreements, IWS, Geminus and PWI also administer and broker a GAP product through their distribution channels. GAP generally covers a consumer's out-of-pocket amount, related to an automobile loan or lease, if the vehicle is stolen or damaged beyond repair. IWS, Geminus and PWI earn a commission when a consumer purchases a GAP certificate but do not take on any insurance risk.

Home

PWSC has had two insured home warranty products:

- The primary product is was designed for new home construction companies, and the warranty is was issued to new home buyers. The warranty coverage is was provided nationwide by a single, A+ rated insurance carrier. The warranty document is an agreement between the homebuilder and the purchaser of the home and includes specific tolerances related to covered defects and precise definitions of damages. Each damage category includes materials defect coverage for the first year, major systems coverage for the second year, and workmanship and structural coverage for years three through ten. The warranty enables certain damages to be resolved by the homebuilder without admitting fault or negligence, and the warranty offers an efficient method to resolve buyer complaints and avoid costly litigation through mediation and mandatory binding arbitration.
- The second insured warranty product is was designed for existing homes and covers covered major systems and appliances. PWSC designs designed the product specifications, but the administration is was conducted by an independent third party. PWSC is not a risk-taker on this product; instead, it leverages an independent, reputable insurance carrier. PWSC sells this product directly to consumers and through various other channels, such as credit unions, brokers, and property managers.

PWSC also has had an uninsured warranty administration services program. The warranty document issued through this program is an agreement between the homebuilder and the purchaser of the home, and it includes performance standards established by the homebuilder and warrants conditions in the home that could constitute a construction defect throughout the warranty period. This program enables enabled construction defects to be efficiently and amicably resolved by the homebuilder through mediation and mandatory binding arbitration to avoid costly litigation. Claims are covered for a period of time as may be required by law, for an elected time-frame by the builder in a specific state, or per agreement with a general liability insurance carrier. The warranty document is designed to ensure all parties' interests are aligned in order to handle their claims relative to construction defects promptly and without attorney intervention.

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HVAC

Trinity sells HVAC, standby generator, commercial LED lighting and commercial refrigeration warranty products. As a seller of warranty products, Trinity markets and administers product warranty contracts for certain new and used products in the HVAC, standby generator, commercial LED lighting and commercial refrigeration industries throughout the United States. Trinity acts as an agent on behalf of the third-party insurance companies that underwrite and guaranty these warranty contracts. Trinity does not guaranty the performance underlying the warranty contracts it sells.

Trinity also provides equipment breakdown and maintenance support services to companies across the United States. As a provider of such services, Trinity acts as a single point of contact to its clients for both certain equipment breakdowns and scheduled maintenance of equipment. Trinity will provide such repair and breakdown services by contracting with certain HVAC providers.

Marketing, Distribution and Competition

No Extended Warranty customer or group of affiliated customers accounts for 10% or more of the Company's consolidated revenues, and no loss of a customer or group of affiliated customers would have a material adverse effect on the Company.

Automotive

IWS markets its products primarily through credit unions. IWS enters into an exclusive agreement with each credit union whereby the credit union receives a stipulated access fee for each vehicle service agreement issued to its members. The credit unions are served by IWS employee representatives located throughout the United States in close geographical proximity to the credit unions they serve. IWS distributes and markets its products in 25 24 states and the District of Columbia.

IWS focuses exclusively on the automotive finance market with its core VSA and related product offerings, while much of its competition in the credit union channel has a less targeted product approach. IWS' typical competitor takes a generalist approach to market by providing credit unions with a variety of different product offerings. They might be unable to deliver specialty expertise on par with IWS and may not give VSA products the attention they require for healthy profitability and strong risk management.

Geminus goes to market through its subsidiaries, Penn and Prime, which market their products primarily through independent automotive dealerships and franchise automotive dealerships. Penn and Prime enter into dealer wholesale agreements that allow the dealer to resell Penn and Prime vehicle service agreements at a retail rate that varies by state as they earn potential commission on the remarketing. The dealer base is serviced by the Company's employees located throughout the United States in close geographical proximity to the dealers they serve. Penn and Prime distribute and market their products in 39 47 and 40 states, respectively.

Penn and Prime focus exclusively on the automotive finance market with its core VSA and related product offerings, while much of its competition is non-employee employee based or agent centric. Penn and Prime operate within a highly competitive environment where product pricing and options are important. Many of its competitors have a comprehensive menu of products and services available to offer the independent and franchise dealers. Penn and Prime's typical competitor's approach to market is by working through non-employees employees or agents with a variety of different product offerings. Penn and Prime solely focuses on the suite of VSAs it offers, which allows the proper attention required for healthy profitability and risk management.

PWI markets, sells and administers VSAs to used car buyers in all fifty states, primarily through a network of approved automobile dealer partners. PWI enters into an agreement with dealer partners that permits dealers to legally sell PWI products to its customers. The distribution of PWI VSAs is supported by an internal sales team geographically located around the country and in close proximity to its dealer partners.

PWI operates exclusively in the automotive finance market with its sole focus on VSAs. PWI does operate within a highly competitive environment where product pricing and product options are important. Most of its competitors have a comprehensive menu of products and services to offer the independent and franchise dealers. PWI's future strategy will drive additional competitiveness by adding new products to its existing menu of VSAs and GAP. PWI's competitors are a blend of national and regional competitors implementing employee and agent-based sales models.

Home

PWSC markets its insured warranty products through a sales force directly to the homebuilder and its uninsured builder backed warranty products through a network of construction general liability insurance carriers and domestic insurance brokers. Homebuilder prospects are developed through membership in local homebuilder associations, attendance at homebuilder conventions, distribution of promotional products and direct mail efforts. For its uninsured homebuilder backed product, PWSC dedicates senior personnel to working with the construction general liability insurers and domestic insurance brokers to identify and assist in developing new opportunities and devotes marketing resources to sell its product.

For its insured warranty product, PWSC operates in an environment with several competitors. PWSC differentiates itself through its relationship with and backing by an A+ rated global insurance carrier; having over 20 years of experience in the field of new home warranty administration; its dispute resolution services; and its best in class customer service. For its uninsured builder backed product, PWSC operates in an environment with very few competitors. The most significant features differentiating the builder backed product from its competition are an express warranty for all construction defects, the only warranty that is fully integrated with the general liability policy in its definition and coverage of construction defects, and mutual agreement between the homebuilder and the home buyer that all claims be resolved through mediation or, if necessary, binding arbitration.

HVAC

Trinity directly markets and distributes its warranty products to manufacturers, distributors and installers of HVAC, standby generator, commercial LED lighting and commercial refrigeration equipment. As a provider of equipment breakdown and maintenance support, Trinity directly markets and distributes its product products through its clients, which are primarily companies that directly own and operate numerous locations across the United States.

Trinity operates in an environment with few market competitors. Trinity competes on two important facets: its belief that it provides superior customer service relative to its competitors and its ability, through the support of its insurance company partners, to provide warranty solutions to a wider range of HVAC, standby generator, commercial LED lighting and commercial refrigeration equipment customers than that of its competitors.

Claims Management

Claims management is the process by which Extended Warranty determines the validity and amount of a claim. The Company believes that claims management is fundamental to its operating results. The Company's goal is to settle claims fairly for the benefit of policyholders in a manner that is consistent with the policy language and the Company's regulatory and legal obligations.

IWS, Geminus and PWI effectively and efficiently manage claims by utilizing in-house expertise and information systems. They employ an experienced claims staff, in some cases comprised of Automotive Service Excellence certified mechanics, knowledgeable in all aspects of vehicle repairs and potential claims. Additionally, each owns a proprietary database of historical claims information that has been compiled over several years. Management utilizes these databases to drive real-time pricing adjustments and strategic decision-making.

Under PWSC's warranty products, disputes typically arise when there is a difference between what the homeowner expects of the builder and what the builder believes are its legitimate warranty service responsibilities. PWSC employs an experienced claims staff who respond to all inquiries from homeowners and from requests by builders. Any inquiries or complaints received are submitted or communicated to the builder. PWSC will not make any determination as to the validity or resolution of any complaint; however, PWSC will discuss alternatives or resolutions to disputes with all parties and can mediate or negotiate a fair solution to a dispute. This process ensures that homebuilders can effectively manage new home construction risk and reduce the potential for substantial legal costs associated with litigation. PWSC may, at times, act as a third-party administrator for claims under the insured warranty product; however, at no time does PWSC bear the loss of claims on warranty products.
Trinity claims on warranty products are managed by the insurance companies with which Trinity partners. Trinity may, at times, act as a third-party administrator of such claims; however, at no time does Trinity bear the loss of claims on warranty products.

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KINGSWAY SEARCH XCELERATOR SEGMENT

Kingsway Search Xcelerator includes the following subsidiaries of the Company (collectively, "Kingsway Search Xcelerator"), and includes the Company's unique CEO Accelerator program. Revenue is derived from the provision of business services.

- CSuite Financial Partners, LLC ("CSuite")
- DDI
- Ravix Group, Inc. ("Ravix")
- Ravix Secure Nursing Service Inc. ("SNS")
- SNS
  SPI

Business ServicesKingsway Search Xcelerator's revenue is derived from the provision of various services.

Business Services
CSuite is a professional services firm that provides experienced chief financial executive services, for officer and other finance professionals to its clients through a variety of flexible offerings. These offerings include project and interim-staffing interim staffing engagements, and contingent search services for full-time permanent placements for customers its

clients throughout the United States.

Ravix provides outsourced finance and human resources consulting services to its clients on a fractional basis for both projects with definitive endpoints and ongoing engagements of indeterminate length for customers in several states. throughout the United States. All services are delivered by employees who are located in the United States. Ravix offers its services across four different practices:

- Operational Accounting. Offers services oriented around day-to-day financial stewardship of its clients, such as bookkeeping, accounting, financial reporting and analysis and strategic finance.
- Technical Accounting. Provides specialized expertise in areas of technical accounting, such as initial public offerings, SEC reporting and international consolidation;
- Human Resources. Offers human resources, workforce management, and compliance support; and
- Advisory Services. Focuses on managing clients through liquidations and assignment for the benefit of the creditors.

Healthcare Services

SNS provides healthcare staffing services to acute healthcare facilities on a contract or per diem basis in the United States, primarily in California. Today, SNS is focused on providing temporary registered nurses to hospitals; however, SNS maintains contracts to provide allied healthcare professionals to hospitals. SNS offers its services across two different practices:

- Travel Staffing. Offers healthcare staffing services to address the short-term needs of hospitals – contracts have a guaranteed length, which is typically 13 weeks.
- Per Diem Staffing. Offers healthcare staffing services to meet the day-to-day needs of hospitals.

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DDI provides outsourced 24 hours a day and 7 days per week ("24/7") cardiac telemetry services for long-term acute care ("LTAC") and inpatient rehabilitation hospitals. Outsourcing cardiac monitoring is intended to allow hospitals to eliminate personnel callouts and human resources issues, remove distractions from onsite operations, and free up facility staff to assist directly with patient care. DDI has been operating for over 10 years and currently has a presence in 42 states. DDI offers its services as follows:

- LTAC. DDI connects to the hospital’s existing installed telemetry system and outsources the telemetry department for the hospital 24/7.
- Inpatient Rehabilitation Hospitals. DDI provides mobile monitors to the hospital which automatically connect to the hospital’s WiFi, and then conducts 24/7 monitoring for patients requiring the service. This is intended to allow inpatient rehabilitation hospitals to keep the patient on-site, reducing ambulatory costs and improving continuity of care.

Vertical Market Software

SPI provides software products created exclusively to serve the management needs of all types of shared-ownership properties throughout the United States, Europe, Asia, Mexico and the Caribbean.

Marketing, Distribution and Competition

No Kingsway Search Xcelerator customer or group of affiliated customers accounts for 10% or more of the Company's consolidated revenues.

Business Services

CSuite actively markets its services via sponsorship of industry events and conferences typically targeted at private equity and related service providers.

Ravix does not actively market its services through traditional channels. Instead, Ravix focuses primarily on venture-capital-funded startups and receives most of its new business as a result of business networking activities, referrals from service providers and former clients.

Healthcare Services

SNS does not actively market its services through traditional channels. Instead, SNS primarily relies on word-of-mouth to recruit nurses to help meet the demands of the hospitals. hospitals and SNS actively market its services through third-party lead generation channels to better meet the hospitals’ clinician demand.

DDI has primarily grown through word-of-mouth referrals and also actively markets its services through traditional channels and via sponsorship of industry events and conferences.

KINGSWAY FINANCIAL SERVICES INC.

Vertical Market Software

No Kingsway Search Xcelerator customer or group of affiliated customers accounts for 10% or more of SPI markets its services via industry trade shows and industry conferences. Because the Company's consolidated revenues, and no loss SPI product is a business to business software solution, SPI's target market is a subset of a customer or group of affiliated customers would have a material adverse effect on the Company. larger travel market; therefore, competition is limited.

CEO Accelerator

The Company has developed a unique program, whereby it employs dedicated Operator-in-residence (or "Searcher") personnel whose sole function is to search for an appropriate business for Kingsway to acquire and then to ultimately run that business. As an example, our first Searcher, who was hired in May 2020, identified Ravix as a potential acquisition, which the Company closed on in October 2021.

The CEO Accelerator focuses on identifying and acquiring privately-held businesses with enterprise values EBITDA between $10 $1 and $30 million $3 million where the owner/operator is looking to transition from day-to-day operating responsibilities. The CEO Accelerator utilizes the proven framework and characteristics of the Search Fund acquisition model and targets industries and companies with pre-defined characteristics.

The Company believes that having a dedicated Searcher(s) – whose background includes a mix of real-world work experience and a graduate degree (usually a master’s of business administration) – who is ready to transition into the role of CEO gives it a competitive advantage over traditional private equity firms and other potential acquirers of businesses in the lower middle market.

When a search ends with a successful acquisition, the Searcher transitions into an operational role as CEO of the acquired company and receives a financial incentive, in the form of various stock-based grants, in the acquired company. The awards have both time and performance vesting requirements, which aligns the incentives with those of the overall Company.

The Company currently has three four full-time Searchers as of December 31, 2022 December 31, 2023. The Company intends to maintain this level – and potentially expand it – as business opportunities permit.

PRICING AND PRODUCT MANAGEMENT

Responsibility for pricing and product management rests with the Company's individual operating subsidiaries in Extended Warranty and Kingsway Search Xcelerator. In Extended Warranty, teams typically comprised of pricing actuaries, product managers and business development managers work together by territory to develop policy forms and language, rating structures, regulatory filings and new product ideas. Data solutions and claims groups within the individual operating subsidiaries track loss performance monthly to alert the operating subsidiaries' management teams to the potential need to adjust forms or rates. For the Kingsway Search Xcelerator companies, an annual review reviews of billing rates is and product prices are performed regularly and rates are can be adjusted to reflect prevailing marketing expectations.

INVESTMENTS

The Company manages its investments to support its liabilities, preserve capital, maintain adequate liquidity and maximize after-tax investment returns within acceptable risks:

- The fixed maturities portfolios are managed by a third-party firm and are comprised predominantly of high-quality fixed maturities with relatively short durations.
- Equity, limited liability and other investments are generally overseen by corporate.
- Limited liability investments, at fair value and investments in private companies and real estate investments are generally overseen by corporate, who engages third-party managers for certain holdings.

The Investment Committee of the Board of Directors is responsible for monitoring the performance of the Company's investments and compliance with the Company's investment policies and guidelines, which it reviews annually.

For further descriptions of the Company's investments, see "Investments" and "Significant Accounting Policies and Critical Estimates" in MD&A and Note 7, "Investments," and Note 23, "Fair Value of Financial Instruments," to the Consolidated Financial Statements.

REGULATORY ENVIRONMENT

Insurance

The Company has one U.S. insurance subsidiary, Kingsway Amigo Insurance Company ("Amigo"), which is organized and domiciled under the insurance statutes of Florida and is in voluntary run-off. During 2022, all remaining outstanding claims were settled and paid. As such, in late 2022 the Company began procedures with the Florida Office of Insurance Regulation in order to surrender Amigo’s Certificate of Authority (“COA”) to operate as a property and casualty insurer in the state of Florida, which was completed as of March 7, 2023. As such, Amigo is no longer a regulated insurance company. To the best of the Company's knowledge, it was in compliance with all applicable regulations.

Extended Warranty

Vehicle service agreements are regulated in all states in the United States, and IWS, Geminus and PWI are subject to these regulations. Most states utilize the approach of the Uniform Service Contract Act that was adopted by the National Association of Insurance Commissioners in the early 1990's. Under that approach, states regulate vehicle service contract companies by requiring them annually to file documentation, together with a copy of the contract of insurance covering their liability under the service contracts, which complies with the particular state's regulatory requirements. IWS, Geminus and PWI are in compliance with the regulations of each state where it sells vehicle service agreements.

Certain, but not all, states regulate the sale of HVAC and equipment warranty contracts. Trinity is licensed as a service contract provider in those states where it is required.

HUMAN CAPITAL MANAGEMENT

At December 31, 2022 December 31, 2023, the Company employed 471 397 personnel supporting its operations, all of which were full-time employees. None of our employees is subject to a collective bargaining agreement and we consider our relationship with our employees to be good.

We believe the skills and experience of our employees are an essential driver of our business and important to our future prospects. To attract qualified applicants and retain our employees, we offer our employees what we believe to be competitive salaries, comprehensive benefit packages, equity compensation awards, and discretionary bonuses based on a combination of seniority, individual performance and corporate performance. The principal purposes of these employee benefits are to attract, retain, reward and motivate our personnel and to provide long-term incentives that align the interests of employees with the interests of our stockholders.

ACCESS TO REPORTS

The Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are made available free of charge through its website at *www.kingsway-financial.com* as soon as reasonably practicable after such material is electronically filed with, or furnished to, the U.S. Securities and Exchange Commission ("SEC").

Item 1A. Risk Factors

Most issuers, including Kingsway, are exposed to numerous risk factors that could cause actual results to differ materially from recent results or anticipated future results. The risks and uncertainties described below are those specific to the Company that we currently believe have the potential to be material, but they may not be the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. Investors are advised to consider these factors along with the other information included in this 2022 2023 Annual Report and to consult any further disclosures Kingsway makes in its filings with the SEC.

FINANCIAL RISK

We have substantial outstanding recourse debt and acquisition financing, which could adversely affect our ability to obtain financing in the future, react to changes in our business and satisfy our obligations.

As of December 31, 2022 December 31, 2023, we had $90.5 million $15.0 million principal value of outstanding recourse subordinated debt in the form of trust preferred securities, with a redemption dates beginning in December 2032, and which has deferred interest accrued date of $25.5 million as of December 31, 2022. May 2033.
Pursuant to the indentures governing our outstanding trust preferred securities, we are permitted to defer interest payments for up to 20 quarters. During the third quarter of 2018, the Company gave notice to the trustees of its outstanding trust preferred securities of the Company's intention to exercise its voluntary right to defer interest. On March 2, 2023, we gave notice to the holders of five series of our trust preferred securities of our intention to exercise repurchase options no later than March 15, 2023. We will also pay interest accrued during the deferral period on the remaining series of trust preferred securities not subject to repurchase. After the repurchase is completed we will have $15 million of principal outstanding related to the remaining series of trust preferred securities. The Company is currently prohibited from redeeming any shares of its capital stock while payment of interest on the trust preferred securities is being deferred. We also gave notice of our intention to redeem all the outstanding shares of Class A Preferred Stock on March 15, 2023, following the repurchase and payment of accrued interest on our trust preferred securities.

KINGSWAY FINANCIAL SERVICES INC.

Additionally, we incurred indebtedness in connection with our acquisitions of PWI Holdings, Inc. and its various subsidiaries (collectively, "PWI") on December 1, 2020, Ravix Financial, Inc. ("Ravix") on October 1, 2021, CSuite Financial Partners, LLC ("CSuite") on November 1, 2022 and , Secure Nursing Service Inc. ("SNS") on November 18, 2022 and Digital Diagnostics Inc. ("DDI") on October 26, 2023. As of as of December 31, 2022 December 31, 2023, we have $34.8 $31.3 million principal value of such acquisition financing outstanding. outstanding; however, such acquisition financing is non-recourse to other Kingsway entities.

Because of our substantial outstanding recourse debt: debt and acquisition financing:

- our ability to engage in acquisitions without raising additional equity or obtaining additional debt financing could be limited;
- our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or general corporate purposes and our ability to satisfy our obligations with respect to our debt may be impaired in the future;
- a large portion of our cash flow must be dedicated to the payment of interest on our debt, thereby reducing the funds available to us for other purposes;
- we are exposed to the risk of increased interest rates because our outstanding subordinated debt and our outstanding acquisition financing bear interest directly related to the London interbank offered interest rate ("LIBOR"), the Secured Overnight Financing Rate ("SOFR") and the Prime Rate;
- it may be more difficult for us to satisfy our obligations to our creditors, resulting in possible defaults on, and acceleration of, such debt;
- we may be more vulnerable to general adverse economic and industry conditions and may have reduced flexibility to deploy capital or otherwise respond to changes;
- we may be at a competitive disadvantage compared to our competitors with proportionately less debt or with comparable debt on more favorable terms and, as a result, they may be better positioned to withstand economic downturns;
- our ability to refinance debt may be limited or the associated costs to do so may increase;
- our ability to transfer funds among our various subsidiaries and/or distribute such funds to the holding company are limited;
- our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited;
- we were unable to redeem outstanding shares of our redeemable preferred stock on the required date, which could lead to increased financing costs and/or costs associated with any disputes that might arise involving the holders of such preferred stock; and
- we may be prevented from carrying out capital spending that is, among other things, necessary or important to our growth strategy and efforts to improve the operating results of our businesses.

Increases in interest rates would increase the cost of servicing our outstanding recourse debt and could adversely affect our results of operation.

Our outstanding recourse subordinate debt as of December 31, 2022December 31, 2023 of $90.5 million$15.0 million principal value bears interest directly related to LIBOR (and will in the future bear interest related to SOFR)CME Term SOFR and our outstanding acquisition financing of $34.8$31.3 million related to the acquisitions of PWI, Ravix, CSuite, SNS and SNSDDI bears interest directly related to either SOFR or the Prime Rate. As a result, increases in LIBOR,CME Term SOFR, SOFR and the Prime Rate would increase the cost of servicing our debt and could adversely affect our results of operations. Each one hundred basis point increase in LIBOR,CME Term SOFR, SOFR or the Prime Rate would result in an approxiapproxmately $1.4 millionimately $0.4 million increase in our annual interest expense.

The expected discontinuation of LIBOR could adversely affect the cost of servicing our outstanding debt.

Our outstanding recourse subordinate debt, which has redemption dates ranging from December 4, 2032 through January 8, 2034, bear interest directly related to LIBOR and extend beyond June 2023, by which time the United Kingdom's Financial Conduct Authority, which regulates LIBOR, has announced it intends to phase out U.S dollar LIBOR.

The transition from LIBOR to other benchmarks has been the subject of private sector and governmental activity. It is unclear if alternative rates or benchmarks, such as SOFR, will be widely adopted, and this uncertainty may impact the liquidity of the SOFR loan markets. In addition, the transition from LIBOR could have a significant impact on the overall interest rate environment and on our borrowing costs. The indentures governing the Company's outstanding recourse debt and the loan and security agreement governing our outstanding acquisition financing provide alternative means of determining the Company's interest expense on its outstanding debt, but at this time, the Company cannot yet reasonably estimate the expected impact of the discontinuation of LIBOR.

Our operations are restricted by the terms of our debt indentures, which could limit our ability to plan for or react to market conditions or meet our capital needs.

Our debt indentures contain numerous covenants that limit our ability, among other things, to make particular types of restricted payments and pay dividends or redeem capital stock. The covenants under our debt agreements could limit our ability to plan for or react to market conditions or to meet our capital needs. No assurances can be given that we will be able to maintain compliance with these covenants.

If we are not able to comply with the covenants and other requirements contained in the debt indentures, an event of default under the relevant debt instrument could occur, which could result in the acceleration of all obligations under such debt instruments.

The Board of Directors closely monitors the debt and capital position and, from time to time, recommends capital initiatives based upon the circumstances of the Company.

We may not be able to realize our investment objectives, which could significantly reduce our earnings and liquidity.

We depend on our investments for a substantial portion of our liquidity. As of December 31, 2022December 31, 2023, our investments included $37.636.5 million of fixed maturities, at fair value. General economic conditions can adversely affect the markets for interest rate-sensitive instruments, including the extent and timing of investor participation in such markets, the level and volatility of interest rates and, consequently, the fair value of fixed maturities. In addition, changing economic conditions can result in increased defaults by the issuers of investments that we own. Interest rates are highly sensitive to many factors, including monetary policies, domestic and international economic and political conditions and other factors beyond our control. Given the low interest rate environment that exists for fixed maturities, a significant increase in investment yields or an impairment of investments that we own could have a material adverse effect on our business, results of operations or financial condition by reducing the fair value of the investments we own, particularly if we were forced to liquidate investments at a loss.

As of December 31, 2022 December 31, 2023, our investments also included$0.2 0.1 million of equity investments, $1.0 0.8 million of limited liability investments, $17.1 3.5 million of limited liability investments, at fair value and $0.8 0.9 million of investments in private companies, at adjusted cost and other investments, at cost of $0.4 million. cost. These investments are less liquid than fixed maturities. General economic conditions, stock market conditions and many other factors can adversely affect the fair value of the investments we own. If circumstances necessitated us disposing of our limited liability investments prematurely in order to generate liquidity for operating purposes, we would be exposed to realizing less than their carrying value.

Our ability to achieve our investment objectives is affected by general economic conditions that are beyond our control and our own liquidity needs for operating purposes. We may not be able to realize our investment objectives, which could adversely affect our results of operations, financial condition and available cash resources.

Our business, financial condition and results of operations could be materially and adversely affected by changes in international and national economic and industry conditions.

The COVID-19 pandemic has created significant disruption and uncertainty in the global economy and has negatively impacted our business and results of operations and financial condition. We continue to take steps to assess the effects, and mitigate the adverse consequences to our businesses, of the COVID-19 pandemic; however, though the magnitude of the impact continues to develop and change as new variants of COVID-19 emerge, our businesses have been and will continue to be adversely impacted by the outbreak of COVID-19.

In addition to adverse United States domestic and global macroeconomic effects, including the adverse impacts on various industries' supply chains and automobile sales, which has decreased, and may continue to decrease, consumer demand for our products and services, reduce our ability to access capital, and otherwise adversely impact the operation of our businesses, the COVID-19 pandemic has caused, and will continue to cause, substantial disruption to our employees, distribution channels, investors, tenants, and customers through self-isolation, travel limitations, business restrictions, and other means, all of which has resulted in declines in sales. These effects, individually or in the aggregate, will continue to adversely impact our businesses, financial condition, operating results and cash flows, and such adverse impacts may be material.

Additionally, actual or potential changes in international, national, regional and local economic, business and financial conditions, including recession, high inflation and trade protection measures and creditworthiness of our customers, may negatively affect consumer preferences, perceptions, spending patterns or demographic trends, any of which could adversely affect our business, financial condition, results of operations and/or liquidity.

We are subject to macro-economic fluctuations in the U.S. and worldwide economy. Concerns about consumer and investor confidence, volatile corporate profits and reduced capital spending, international conflicts, terrorist and military activity, civil unrest and pandemic illness could reduce customer orders or cause customer order cancellations. In addition, political and social turmoil may put further pressure on economic conditions in the United States and abroad. The global economy has been periodically impacted by the effects of global economic downturns (such as those recently related to COVID-19). There can be no assurance that there will not be further such events or deterioration in the global economy. These economic conditions make it more difficult for us to accurately forecast and plan our future business activities.

Russia's invasion and military attacks on Ukraine have triggered significant sanctions from U.S. and European leaders. These events may escalate and have created increasingly volatile global economic conditions. Resulting changes in U.S. trade policy could trigger retaliatory actions by Russia, its allies and other affected countries, including China, resulting in a “trade war.” Furthermore, if the conflict between Russia and Ukraine continues for a long period of time, or if other countries, including the U.S., become further involved in the conflict, we could face material adverse effects on our business, financial condition, results of operations and/or liquidity.

A difficult economy generally could materially adversely affect the credit, investment and financial markets which, in turn, could materially adversely affect our business, results of operations or financial condition.

An adverse change in market conditions, including changes caused by the COVID-19 pandemic, leading to instability in the global credit markets presents additional risks and uncertainties for our business. Depending on market conditions going forward, we could incur substantial realized and unrealized losses in future periods, which could have an adverse effect on our results of operations or financial condition. Certain trust accounts for the benefit of related companies and third-parties third parties have been established with collateral on deposit under the terms and conditions of the relevant trust agreements. The value of collateral could fall below the levels required under these agreements putting the subsidiary or subsidiaries in breach of the agreements which could expose us to damages or otherwise adversely impact our business, financial condition, operating results or cash flows.

Market volatility may also make it more difficult to value certain of our investments if trading becomes less frequent and the liquidity of such investment declines. Disruptions, uncertainty and volatility in the global credit markets may also adversely affect our ability to obtain financing for future acquisitions. If financing is available, it may only be available at an unattractive cost of capital, which would decrease our profitability or result in our inability to consummate such acquisitions. There can be no assurance that market conditions will not deteriorate in the future.

Financial disruption or a prolonged economic downturn could materially and adversely affect our business.

Worldwide financial markets have recently experienced periods of extraordinary disruption and volatility, which has been exacerbated by the COVID-19 pandemic, resulting in heightened credit risk, reduced valuation of investments and decreased economic activity. Moreover, many companies have experienced reduced liquidity and uncertainty as to their ability to raise capital during such periods of market disruption and volatility. In the event that these conditions recur or result in a prolonged economic downturn, our results of operations, financial position and/or liquidity could be materially and adversely affected. These market conditions may affect the Company's ability to access debt and equity capital markets.

KINGSWAY FINANCIAL SERVICES INC.

Our cash, cash equivalents and investments could be adversely affected if the financial institutions in which we hold our cash, cash equivalents and investments fail.

We maintain cash balances at third-party financial institutions in excess of the Federal Deposit Insurance Corporation (the “FDIC”) insurance limit. The FDIC took control and was appointed receiver of Silicon Valley Bank (“SVB”) and New York Signature Bank (“SB”) on March 10, 2023 and March 12, 2023, respectively. We do not have any direct exposure to Silicon Valley Bank or New York Signature Bank. However, if other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments could be threatened and may have a material adverse impact on our business, prospects, financial condition and results of operations. Moreover, events such as the closure of SVB and SB, in addition to other global macroeconomic conditions, may cause further turbulence and uncertainty in the capital markets.

We are party to a Settlement Agreement that may require us to make cash payments from time to time, which payments could materially adversely affect our business, results of operations or financial condition.

In May 2016, Aegis Security Insurance Company ("Aegis") filed a complaint for breach of contract and declaratory relief against the Company in the Eastern District of Pennsylvania alleging, among other things, that we breached a contractual obligation to indemnify Aegis for certain customs bond losses incurred by Aegis under the indemnity and hold harmless agreements provided by us to Aegis for certain customs bonds reinsured by Lincoln General Insurance Company ("Lincoln General") during the period of time that Lincoln General was a subsidiary of the Company. Lincoln General was placed into liquidation in November 2015 and Aegis subsequently invoked its rights to indemnity under the indemnity and hold harmless agreements.

Effective January 20, 2020, we entered into a Settlement Agreement with Aegis with respect to such litigation pursuant to which we agreed to pay Aegis a one-time settlement amount of $0.9 million and to reimburse Aegis for 60% of future losses that Aegis may sustain in connection with such customs bonds, up to a maximum reimbursement amount of $4.8 million. From 2020 to 2022, 2023, the Company made reimbursement payments to Aegis totaling $1.0 $1.5 million in connection with the Settlement Agreement. The timing and severity of our future payments pursuant to this Settlement Agreement are not reasonably determinable. No assurances can be given, however, that we will not be required to perform under this Settlement Agreement in a manner that has a material adverse effect on our business, results of operations or financial condition.

We have generated net operating loss carryforwards for U.S. income tax purposes, but our ability to use these net operating losses could be limited by our inability to generate future taxable income.

Our U.S. businesses have generated consolidated net operating loss carryforwards ("U.S. NOLs") for U.S. federal income tax purposes of approximately approximate $644.2 ly $623.1 million as of December 31, 2022 December 31, 2023. These U.S. NOLs can be available to reduce income taxes that might otherwise be incurred on future U.S. taxable income and would have a positive effect on our cash flow. There can be no assurance that we will generate the taxable income in the future necessary to utilize these U.S. NOLs and realize the positive cash flow benefit. Also, almost all of our U.S. NOLs have expiration dates. There can be no assurance that, if and when we generate taxable income in the future from operations or the sale of assets or businesses, we will generate such taxable income before our U.S. NOLs expire.

We have generated U.S. NOLs, but our ability to preserve and use these U.S. NOLs could be limited or impaired by future ownership changes.

Our ability to utilize the U.S. NOLs after an "ownership change" is subject to the rules of Section 382 of the U.S. Internal Revenue Code of 1986, as amended ("Section 382"). An ownership change occurs if, among other things, the shareholders (or specified groups of shareholders) who own or have owned, directly or indirectly, five percent (5%) or more of the value of our shares or are otherwise treated as five percent (5%) shareholders under Section 382 and the regulations promulgated thereunder increase their aggregate percentage ownership of the value of our shares by more than fifty (50) percentage points over the lowest percentage of the value of the shares owned by these shareholders over a three-year rolling period. An ownership change could also be triggered by other activities, including the sale of our shares that are owned by our five percent (5%) shareholders.

In the event of an ownership change, Section 382 would impose an annual limitation on the amount of taxable income we may offset with U.S. NOLs. This annual limitation is generally equal to the product of the value of our shares on the date of the ownership change multiplied by the long-term tax-exempt rate in effect on the date of the ownership change. The long-term tax-exempt rate is published monthly by the Internal Revenue Service. Any unused Section 382 annual limitation may be carried over to later years until the applicable expiration date for the respective U.S. NOLs. In the event an ownership change as defined under Section 382 were to occur, our ability to utilize our U.S. NOLs would become substantially limited. The consequence of this limitation would be the potential loss of a significant future cash flow benefit because we would no longer be able to substantially offset future taxable income with U.S. NOLs. There can be no assurance that such ownership change will not occur in the future.

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Expiration of our tax benefit preservation plan could increase the probability that we will experience an ownership change as defined under Section 382.

In order to reduce the likelihood that we would experience an ownership change without the approval of our Board of Directors, our shareholders ratified and approved the tax benefit preservation plan agreement (the "Plan"), dated as of September 28, 2010, between the Company and Computershare Investor Services Inc., as rights agent, for the sole purpose of protecting the U.S. NOLs. The Plan expired on September 28, 2013. There can be no assurance that our Board of Directors will recommend to our shareholders that a similar tax benefit preservation plan be approved to replace the expired Plan; furthermore, there can be no assurance that our shareholders would approve any new tax benefit preservation plan were our Board of Directors to present one for shareholder approval. The expiration of the Plan, without a new tax benefit preservation plan, exposes us to certain changes in share ownership that we would not be able to prevent as we would have been able to prevent under the Plan. Such changes in share ownership could trigger an ownership change as defined under Section 382 resulting in restrictions on the use of NOLs in future periods, as discussed above.

We will only be able to utilize our U.S. NOLs against the future taxable income generated by companies we acquire if we are able to include the acquired companies in our U.S. consolidated tax return group.

We have in the past acquired companies and expect to do so in the future. Our ability to include acquired companies in our U.S. consolidated tax return group is subject to the rules of Section 1504 of the U.S. Internal Revenue Code of 1986, as amended. If it were ever determined that an acquired company did not qualify to be included in our U.S. consolidated tax return group, such acquired company would be required to file a U.S. tax return separate and apart from our U.S. consolidated tax return group. In that instance, the acquired company would be required to pay U.S. income tax on its taxable income despite the existence of our U.S. NOLs, which would be a use of cash at the acquired company; furthermore, were the income tax obligation of the acquired company in such instance to be greater than its available cash, we could be obligated to contribute cash to our subsidiary to meet its income tax obligation. There can be no assurance that an acquired company will generate taxable income and, if an acquired company does generate taxable income, there can be no assurance that the acquired company will be allowed to be included in our U.S. consolidated tax return group.

KINGSWAY FINANCIAL SERVICES INC.

COMPLIANCE RISK

If we fail to comply with applicable insurance and securities laws or regulatory requirements, our business, results of operations, financial condition or cash flow could be adversely affected.

As a publicly traded holding company listed on the New York Stock Exchange, we are subject to numerous laws and regulations. These laws and regulations delegate regulatory, supervisory and administrative powers to federal, provincial or state regulators.

Any failure to comply with applicable laws or regulations or the mandates of applicable regulators could result in the imposition of fines or significant restrictions on our ability to do business, which could adversely affect our results of operations or financial condition. In addition, any changes in laws or regulations (or the interpretation or application thereof, including changes to applicable case law and legal precedent) could materially adversely affect our business, results of operations or financial condition. It is not possible to predict the future effect of changing federal, state and provincial law or regulation (or the interpretation or application thereof) on our operations, and there can be no assurance that laws and regulations enacted in the future will not be more restrictive than existing laws and regulations.

Our business is subject to risks related to litigation.

In connection with our operations in the ordinary course of business, at times we are named as defendants in various actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the loss, or range of loss, if any, that would be incurred in connection with any of the various proceedings at this time, it is possible an individual action would could result in a loss having a material adverse effect on our business, results of operations or financial condition.

Material weaknesses in our internal control over financial reporting could result in material misstatements in our consolidated financial statements.

We are required to evaluate the effectiveness of the design and operation of our disclosure controls and procedures under the Securities Exchange Act of 1934. In the past, we have identified the existence of material weaknesses in our internal control over financial reporting, which have since been remediated. As described in Item 9A, Controls and Procedures, of this 2022 2023 Annual Report, in previous years we have identified the existence of material weaknesses in internal control over financial reporting. We reporting related to the accounting for debt at fair value and the presentation of the repurchase of its subordinated debt in the statement of cash flows. Although we have one remediated material weakness that has not yet been fully remediated. We weaknesses previously identified and are actively engaged in developing and implementing remediation plans as described in Item 9A, Controls and Procedures, of this 2022 2023 Annual Report, but we can provide no assurance that additional material weaknesses in our internal control over financial reporting will not be identified in the future and that such material weaknesses, if identified, will not result in material misstatements in our consolidated financial statements.

Failure to comply with the NYSE's continued listing requirements and rules could result in the NYSE delisting our common stock, which could negatively affect our company, the price of our common stock and your ability to sell our common stock.

On April 17, 2020, the Company received a notice from NYSE that the Company was not in compliance with NYSE listing standard 802.01B because our average global market capitalization over a consecutive 30 trading-day period was less than $50.0 million and stockholders' equity was less than $50.0 million. In accordance with the NYSE listing requirements, we submitted a plan that demonstrated how we expected to return to compliance with NYSE listing standard 802.01B. On July 9, 2020, the NYSE notified us that our plan was accepted. On January 18, 2021, NYSE notified us that we were again in compliance with NYSE listing standard 802.01B but that we were subject to continued monitoring and review for a period of 12 months. While we remained in compliance during this 12-month period, we may in the future again fail to be in compliance with the NYSE listing standards and we may be subject to corrective action by NYSE, which may include suspension and delisting procedures.

If we are unable to satisfy the NYSE criteria for continued listing, our common stock would be subject to delisting. A delisting of our common stock could negatively impact us by, among other things, reducing the liquidity and market price of our common stock; reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; decreasing the amount of news and analyst coverage of us; and limiting our ability to issue additional securities or obtain additional financing in the future. In addition, delisting from the NYSE may negatively impact our reputation and, consequently, our business. statements

STRATEGIC RISK

The achievement of our strategic objectives is highly dependent on effective change management.

Over the past several years, we have restructured our operating insurance subsidiaries, including exiting states and lines of business, placing subsidiaries into voluntary run-off, terminating managing general agent relationships, hiring a new management team, selling Mendota and CMC and acquiring PWI, Ravix, CSuite, SNS, SPI and SNS DDI with the objective of focusing on our Extended Warranty and Kingsway Search Xcelerator segments, creating a more effective and efficient operating structure and focusing on profitability. These actions resulted in changes to our structure and business processes. While these changes are expected to bring us benefits in the form of a more agile and focused business, success is dependent on management effectively realizing the intended benefits. Change management may result in disruptions to the operations of the business or may cause employees to act in a manner that is inconsistent with our objectives. Any of these events could negatively affect our performance. We may not always achieve the expected cost savings and other benefits of our initiatives.

We may experience difficulty continuing to retain our holding company staff.

There can be no assurance that our businesses will produce enough cash flow to adequately compensate and retain staff and to service our other holding company obligations, particularly the interest expense burden of our remaining outstanding debt.

The highly competitive environment in which we operate could have an adverse effect on our business, results of operations or financial condition.

The vehicle service agreement market in which we compete is comprised of a number of companies, including a few large companies, which market service agreements on a national basis and have significantly more financial, marketing and management resources than we do, as well as several other companies that are somewhat similar in size to our Extended Warranty companies. There may also be other companies of which we are not aware that may be planning to enter the vehicle service agreement industry.

Competitors in our market generally compete on coverages offered, claims handling, customer service, financial stability and, to a lesser extent, price. Larger competitors of ours benefit from added advantages such as industry endorsements and preferred vendor status. We do not believe that it is in our best interest to compete solely on price. Instead, we focus our marketing on the total value experience, with an emphasis on customer service. While we historically have been able to adjust our product offering to remain competitive when competitors have focused on price, our business could be adversely affected by the loss of business to competitors offering vehicle service agreements at lower prices.

Engaging in acquisitions involves risks, and, if we are unable to effectively manage these risks, our business could be materially harmed.

From time to time we engage in discussions concerning acquisition opportunities and, as a result of such discussions, may enter into acquisition transactions.

Acquisitions entail numerous potential risks, including the following:

- difficulties in the integration of the acquired business, including implementation of proper internal controls over financial reporting;
- assumption of unknown material liabilities;
- diversion of management's attention from other business concerns;
- failure to achieve financial or operating objectives or other anticipated benefits or synergies and/or anticipated cost savings; and
- potential loss of customers or key employees.

We may not be able to integrate or operate successfully any business, operations, personnel, services or products that we may acquire in the future.

OPERATIONAL RISK

Our Extended Warranty subsidiaries' deferred service fees may be inadequate, which would result in a reduction in our net income and could adversely affect our financial condition.

Our Extended Warranty subsidiaries' deferred service fees do not represent an exact calculation but are estimates involving actuarial and statistical projections at a given point in time of what we expect to be the remaining future revenue to be recognized in relation to our remaining future obligations to provide policy administration and claim-handling services. The process for establishing deferred service fees reflects the uncertainties and significant judgmental factors inherent in estimating the length of time and the amount of work related to our future service obligations. If we amortize the deferred service fees too quickly, we could overstate current revenues, which may result in a future significant reversal of revenue and adversely affect future reported operating results.

As time passes and more information about the remaining service obligations becomes known, the estimates are appropriately adjusted upward or downward to reflect this additional information. We cannot assure that we will not have unfavorable re-estimations in the future of our deferred service fees and that such unfavorable re-estimations will not have a material adverse effect on our business, results of operations or financial condition. In addition, we have in the past, and may in the future, acquire companies that record deferred service fees. We cannot assure that the deferred service fees of the companies that we acquire are or will be adequate.

Extended Warranty's reliance on credit unions and dealers, as well as our overall reliance on automobile sales could adversely affect our ability to maintain business.

The Extended Warranty business markets and distributes vehicle service agreements through a network of credit unions and dealers in the United States. We have competitors that offer similar products exclusively through credit unions and competitors that distribute similar products through dealers. Loss of all or a substantial portion of our existing relationships could have a material adverse effect on our business, results of operations or financial condition. Moreover, our vehicle service agreement businesses rely heavily on the sale of new and used vehicles to drive product sales. Accordingly, a significant decline in new and used automobile sales could have a material adverse effect on our business, results of operations or financial condition.

Our reliance on a limited number of warranty and maintenance support clients and customers could adversely affect our ability to maintain business.

We market and distribute our warranty products and equipment breakdown and maintenance support services through a limited number of customers and clients across the United States. Loss of all or a substantial portion of our existing customers and clients could have a material adverse effect on our business, results of operations or financial condition.

We have reclassified certain assets and discontinued a portion of our operations which could adversely affect our business and operations.

As discussed in Note 5, "Disposal and Discontinued Operations" to our Consolidated Financial Statements, all operations related to CMC and VA Lafayette, which serves as a medical and dental clinic for the Department of Veteran Affairs, are included as discontinued operations. In the future, it may be necessary to write-off charges and other costs or incur additional expenses in connection with our discontinued operations, which could have a material adverse effect on our business, results of operations or financial condition.

KINGSWAY FINANCIAL SERVICES INC.

Additionally, as of December 31, 2022 and December 31, 2023, we have classified VA Lafayette as an asset “held for sale”. We can provide no assurances that we will successfully sell VA Lafayette, that we will do so in accordance with our expected timeline or that we will recover the carrying value of the assets, which could have a material adverse effect on our business, results of operations or financial condition. Additionally, any decisions made regarding our deployment or use of any sales proceeds we receive in any sale involves risks and uncertainties. As a result, our decisions with respect to such proceeds may not lead to increased long-term stockholder value.

CSuite's focus on serving private equity backed businesses creates exposure to general mergers and acquisitions ("M&A") activity.

CSuite's business opportunities outside of search are correlated with M&A activities. Clients will often engage CSuite's financial executive services to prepare a business for a transaction or to assist with post-acquisition implementation. Accordingly, a major contraction of M&A activity could have a material effect on our business, results of operations or financial condition.

Ravix's concentration in venture-capital-funded startups creates exposure to the venture capital funding cycles.

Ravix focuses on venture-capital-funded companies, often in Silicon Valley, as its clients and receives a significant portion of its referrals from service providers focused on servicing the same market. Accordingly, a major contraction of available venture capital funding into companies or industries that Ravix services could have a material adverse effect on our business, results of operations or financial condition.

SNS may experience increased costs that reduce its revenue and profitability if applicable government regulations change.

The introduction of new regulatory provisions could materially raise the costs associated with hiring temporary employees such as per diem and travel nurses. For example, a state could impose sales taxes or increase sales tax rates on temporary healthcare staffing services. Furthermore, if government regulations were implemented that limit the amount SNS is permitted to charge for its services, SNS' profitability could be adversely affected.

Healthcare is a regulated industry and modifications, inaccurate interpretations or violations of any applicable statutory or regulatory requirements may result in material costs or penalties as well as litigation and could reduce SNS' revenue and profitability.

Healthcare is subject to many complex federal, state, local and international laws and regulations related to professional licensing, the payment of employees (e.g., wage and hour laws, employment taxes, arbitration agreements, and income tax withholdings, etc.) and general business operations (e.g., federal, state and local tax laws). Failure to comply with all applicable laws and regulations could result in civil and/or criminal penalties as well as litigation, injunction or other equitable remedies. SNS maintains insurance coverage for employment claims, however, SNS' insurance coverage may not be sufficient to fully cover all claims against SNS or may not continue to be available to SNS at a reasonable cost or without coverage exclusions. If SNS' insurance does not cover the claim or SNS is otherwise not able to maintain adequate insurance coverage, SNS may be exposed to substantial liabilities that would materially impact its business and financial performance.

We cannot ensure that our compliance controls, policies, and procedures will in every instance protect us from acts committed by our employees, agents, contractors, or collaborators that would violate the laws or regulations of the jurisdictions in which we operate, including, without limitation, healthcare, employment, foreign corrupt practices, trade restrictions and sanctions, environmental, competition, and privacy laws and regulations.

SNS' profitability could be adversely impacted if SNS is unable to adjust its nurse pay rates as the bill rates decline.

SNS does not have control over the bill rate from hospitals and negotiates the pay rates with the nurses who work with the company. If the bill rates decline, SNS will need to renegotiate the pay rates with its nurses and successfully recruit new nurses at lower pay rates. SNS' ability to recruit and retain nurses is contingent on SNS' ability to offer attractive assignments with competitive wages and benefits or payments.

SNS may be unable to recruit and retain enough quality nurses to meet the demand.

SNS relies on its ability to attract, develop, and retain nurses who possess the skills, experience and required licenses necessary to meet the specified requirements of the healthcare facilities. SNS competes for nurses with other temporary healthcare staffing companies. SNS relies on word-of-mouth referrals, as well as social and digital media to attract qualified nurses. If SNS' social and digital media strategy is not successful, SNS' ability to attract qualified nurses could be negatively impacted. Moreover, the competition for nurses remains high as many areas of the United States continue to experience a shortage of qualified nurses.

KINGSWAY FINANCIAL SERVICES INC.

Disruptions or security failures in our information technology systems, including as a result of cybersecurity incidents, could create liability for us and/or limit our ability to effectively monitor, operate and control our operations and adversely affect our reputation, business, financial condition, results of operation and cash flows.

Our information technology systems facilitate our ability to monitor, operate and control our operations. Changes or modifications to our information technology systems could cause disruption to our operations or cause challenges with respect to our compliance with laws, regulations or other applicable standards. For example, delays, higher than expected costs or unsuccessful implementation of new information technology systems could adversely affect our operations. In addition, any disruption in or failure of our information technology systems to operate as expected could, depending on the magnitude of the problem, adversely affect our business, financial condition, results of operation and cash flows, including by limiting our capacity to monitor, operate and control our operations effectively. Failures of our information technology systems could also lead to violations of privacy laws, regulations, trade guidelines or practices related to our customers and employees. If our disaster recovery plans do not work as anticipated, or if the third-party vendors to which we have outsourced certain information technology or other services fail to fulfill their obligations to us, our operations may be adversely affected. Any of these circumstances could adversely affect our reputation, business, financial condition, results of operation and cash flows.

Our success depends on our ability to price accurately the risks we underwrite.

Our results of operation or financial condition depend on our ability to price accurately for a wide variety of risks. Adequate rates are necessary to generate revenues sufficient to pay expenses and to earn a profit. To price our products accurately, we must collect and properly analyze a substantial amount of data; develop, test and apply appropriate pricing techniques; closely monitor and timely recognize changes in trends; and project both severity and frequency of losses with reasonable accuracy. Our ability to undertake these efforts successfully, and as a result, price our products accurately, is subject to a number of risks and uncertainties, some of which are outside our control, including:

- the availability of reliable data and our ability to properly analyze available data;
- the uncertainties that inherently characterize estimates and assumptions;
- our selection and application of appropriate pricing techniques; and
- changes in applicable legal liability standards and in the civil litigation system generally.

Consequently, we could underprice risks, which would adversely affect our results, or we could overprice risks, which would reduce our sales volume and competitiveness. In either case, our results of operation could be materially and adversely affected.

HUMAN RESOURCES RISK

Our business depends upon key employees, and if we are unable to retain the services of these key employees or to attract and retain additional qualified personnel, our business could be adversely affected.

Our success at improving our performance will be dependent in part on our ability to retain the services of our existing key employees and to attract and retain additional qualified personnel in the future. The loss of the services of any of our key employees, or the inability to identify, hire and retain other highly qualified personnel in the future, could adversely affect our results of operations.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Identifying, assessing, and managing material cybersecurity risks is an important component of our overall enterprise risk management program.

Given our company structure, the management of cybersecurity risks involves coordination between the parent company and our subsidiaries. Senior IT leadership at the parent company and each subsidiary are responsible for developing cybersecurity programs appropriate for their respective entities, including as may be required by applicable law or regulation. The parent company has issued an IT policy that is required to be adhered to by each subsidiary, and such policy is reviewed and updated annually. It is the responsibility of each subsidiary to communicate any items required by the IT policy to the parent company.

The parent company and each of our subsidiaries are responsible for assessing and identifying material risks from cybersecurity threats, as each entity has their own unique IT infrastructure. However, based on experience, cybersecurity threats, including those resulting from any previous cybersecurity incidents, have not materially affected our Company and are not reasonably likely to materially affect our Company, including our business strategy, results of operations, or financial condition.

We have various processes for managing and mitigating risks from cybersecurity threats:

- We have an employee education program that is designed to raise awareness of cybersecurity threats to reduce our vulnerability as well as to encourage consideration of cybersecurity risks across functions.
- Our IT policy requires minimum password lengths and for passwords to be changed on a regular basis. We maintain back-ups and disaster recovery plans to restore our information in the event of an incident.

In some locations, we may use third-party IT providers to assist with maintaining our IT structure, including cybersecurity monitoring and testing.

Governance

Our Board of Directors plays an important role in our risk oversight and discharges its duties both as a full board and through its committees. Our Board of Directors has assigned oversight of cybersecurity risk management to the Audit Committee.

The Audit Committee receives reports from senior management of any cybersecurity incidents that may have occurred at the parent company or any of its subsidiaries. If material, the Audit Committee will bring it to the attention of the Board of Directors as promptly as practicable. If not material, the Audit Committee will bring it to the attention of the Board of

Directors at its next regularly scheduled meeting.

Senior management (currently the Chief Financial Officer) receives reports from IT leadership at the parent company and each subsidiary. These individuals' expertise in IT and cybersecurity generally has been gained from a combination of education, including relevant degrees and/or certifications, and prior work experience.

Information regarding cybersecurity risks and incidents may be elevated to senior leadership through a variety of different channels, including discussions between or among subsidiary and parent company management. It is the responsibility of each subsidiary to communicate any items required by the IT policy to the parent company.

Item 2. Properties

Leased Properties

Extended Warranty leases facilities with an aggregate square footage of approximately 28,035 27,758 at five llocations ocations in three states. The latest expiration date of the existing leases is in February 2026. January 2029.

Kingsway Search Xcelerator leases facilities with an aggregate square footage of approximately 6,085 6,499 at three locations in one state. two states. The latest expiration date of the existing leases is in January 2027.

The Company leases a facility for its corporate office with an aggregate square footage of approximately 3,219 at one location in one state. The expiration date of the existing lease is in February 2028.

The properties described above are in good condition. We consider our office facilities suitable and adequate for our current levels of operations.

Owned Properties

The LA Real Property is subject to a long-term lease agreement and is currently held for sale. The LA Real Property consists of approximately 6.5 acres and contains a 29,224 square foot single-tenant medical office building.

Item 3. Legal Proceedings

In connection with its operations in the ordinary course of business, the Company and its subsidiaries are named as defendants in various actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate reasonably the loss, or range of loss, if any, that would be incurred in connection with any of the various proceedings at this time, it is possible an individual action could result in a loss having a material adverse effect on the Company's business, results of operations or financial condition.

See Note 25, "Commitments and Contingent Liabilities," to the Consolidated Financial Statements, for further information regarding the Company's legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common shares are listed on the New York Stock Exchange ("NYSE") under the trading symbol "KFS."

The following table sets forth, for the calendar quarters indicated, the high and low sales price for our common shares as reported on the NYSE.

	NYSE	NYSE

	High - US$	Low - US$	High - US$	Low - US$
2023				
Quarter 4			$ 8.61	$ 6.46
Quarter 3			9.01	7.55
Quarter 2			9.16	8.09
Quarter 1			10.27	7.85
2022				
Quarter 4	$ 8.08	$ 5.88	$ 8.08	$ 5.88
Quarter 3	7.81	5.69	7.81	5.69
Quarter 2	5.70	5.15	5.70	5.15
Quarter 1	5.60	5.08	5.60	5.08
2021				
Quarter 4	$ 5.77	$ 5.04		
Quarter 3	5.70	4.88		
Quarter 2	5.24	4.46		
Quarter 1	5.36	4.35		

Shareholders of Record

As of March 7, 2023 March 4, 2024 the closing sales price of our common shares as reported by the NYSE was $10.05$9.25 per share.

As of March 8, 2023 5, 2024, we had 25,045,024 28,121,271 common shares issued and outstanding. As of March 8, 2023 5, 2024, there were we 9re 10 shareholders of rrecord ecord of our common stock. The number of shareholders of record includes one single shareholder, Cede & Co., for all of the shares held by our shareholders in individual brokerage accounts maintained at banks, brokers and institutions.

Dividends

The Company has not declared a dividend since the first quarter of 2009. The declaration and payment of dividends is subject to the discretion of our Board of Directors after taking into account many factors, including financial condition, results of operations, anticipated cash needs and other factors deemed relevant by our Board of Directors. For a discussion of our cash resources and needs, see the "Liquidity and Capital Resources" section of MD&A.

Securities Authorized for Issuance under Equity Compensation Plans

The information required related to securities authorized for issuance under equity compensation plans is incorporated herein by reference to the Proxy Statement for our 2022 2023 Annual Meeting of Shareholders, which will be filed with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023.

Recent Sales of Unregistered Securities

During the year ended December 31, 2022 December 31, 2023, we did not have any unregistered sales of our equity securities.

Issuer Purchases of Equity Securities

During On March 21, 2023, the year ended December 31, 2022 Company's Board of Directors approved a security repurchase program under which the Company is authorized to repurchase up to $10.0 million of its currently issued and outstanding securities through March 22, 2024. See Note 20 ,"Shareholders' Equity, we did not have any" for further discussion of the share repurchase program.

The following table provides information about our repurchases of our equity securities. securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 during the quarter ended December 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands)

October 1 - 31, 2023	137,231	$ 7.27	137,231	$ 4,221
November 1 - 30, 2023	143,800	$ 7.45	143,800	$ 3,150
December 1- 31, 2023	42,000	$ 7.55	42,000	$ 2,833
Total	323,031	$ 7.38	323,031	

During the quarter ended December 31, 2023, all repurchases of our securities were common stock.

Item 6. Reserved.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis ("MD&A") of our financial condition and results of operations should be read together with the Consolidated Financial Statements included in Part II, Item 8 of this 2022 2023 Annual Report.

OVERVIEW

Kingsway is a holding company with operating subsidiaries located in the United States. The Company owns or controls subsidiaries primarily in the extended warranty and business services industries. Kingsway conducts its business through the following two reportable segments: Extended Warranty and Kingsway Search Xcelerator.

Prior to the fourth quarter of 2022, the Company conducted its business through a third reportable segment, Leased Real Estate. Leased Real Estate included the following subsidiaries of the Company: CMC Industries, Inc. ("CMC") and VA Lafayette, LLC ("VA Lafayette").

- CMC owned, through an indirect wholly owned subsidiary (the "Property Owner"), a parcel of real property consisting of approximately 192 acres located in the State of Texas (the "Real Property"), which is subject to a long-term triple net lease agreement. The Real Property is also subject to two mortgages. On December 22, 2022, the Company announced a definitive agreement for the sale of the Real Property, for gross cash proceeds of $44.5 million and the assumption of the mortgages. On December 29, 2022, the sale was completed.
- VA Lafayette owns real property consisting of approximately 6.5 acres and a 29,224 square foot single-tenant medical office building located in the State of Louisiana (the "LA Real Property"). The LA Real Property serves as a medical and dental clinic for the Department of Veteran Affairs and is subject to a long-term lease. The LA Real Property is also subject to a mortgage (the "LA Mortgage"). During the fourth quarter of 2022, the Company began executing a plan to sell VA Lafayette, and as a result, VA Lafayette is reported as held for sale at December 31, 2022 and December 31, 2023.
- Both CMC and VA Lafayette have been classified as discontinued operations and the results of their operations are reported separately for all periods presented. See Note 5, "Disposal and Discontinued Operations," to the Consolidated Financial Statements for further discussion. All segmented information has been restated to exclude the Leased Real Estate segment for all periods presented.

Extended Warranty includes the following subsidiaries of the Company: IWS Acquisition Corporation ("IWS"), Geminus Holding Company, Inc. ("Geminus"), PWI Holdings, Inc. ("PWI"), Professional Warranty Service Corporation ("PWSC") and Trinity Warranty Solutions LLC ("Trinity"). As discussed in Note 5, "Disposal and Discontinued Operations," to the Consolidated Financial Statements, the Company disposed of PWSC on July 29, 2022. The earnings of PWSC are included in the consolidated statements of operations and the segment disclosures through the disposal date. Throughout this 2022 2023 Annual Report, the term "Extended Warranty" is used to refer to this segment.

IWS is a licensed motor vehicle service agreement company and is a provider of after-market vehicle protection services distributed by credit unions in 25 24 states and the District of Columbia to their members, with customers in all 50 states.

Geminus primarily sells vehicle service agreements to used car buyers across the United States, through its subsidiaries, The Penn Warranty Corporation ("Penn") and Prime Auto Care, Inc. ("Prime"). Penn and Prime distribute these products in 39 47 and 40 states, respectively, via independent used car dealerships and franchised car dealerships.

PWI markets, sells and administers vehicle service agreements to used car buyers in all fifty states via independent used car and franchise network of approved automobile and motorcycle dealer partners. PWI's business model is supported by an internal sales and operations team and partners with American Auto Shield in three states with a white label agreement. PWI also has a "white label" agreement with Classic to sell sells and administers a guaranteed asset protection product ("GAP"), under the Penn name, in states that Classic where Penn is approved in. approved.

PWSC sells sold home warranty products and provides provided administration services to homebuilders and homeowners across the United States. PWSC distributes distributed its products and services through an in-house sales team and through insurance brokers and insurance carriers throughout all states except Alaska and Louisiana.

Trinity sells heating, ventilation, air conditioning ("HVAC"), standby generator, commercial LED lighting and commercial refrigeration warranty products and provides equipment breakdown and maintenance support services to companies across the United States. As a seller of warranty products, Trinity markets and administers product warranty contracts for certain new and used products in the HVAC, standby generator, commercial LED lighting and commercial refrigeration industries throughout the United States. Trinity acts as an agent on behalf of the third-party insurance companies that underwrite and guaranty these warranty contracts. Trinity does not guaranty the performance underlying the warranty contracts it sells. As a provider of equipment breakdown and maintenance support services, Trinity acts as a single point of contact to its clients for both certain equipment breakdowns and scheduled maintenance of equipment. Trinity will provide such repair and breakdown services by contracting with certain HVAC providers.

Kingsway Search Xcelerator includes the Company's subsidiaries, CSuite Financial Partners, LLC ("CSuite"), Ravix Financial, Group, Inc. ("Ravix") and, Secure Nursing Service LLC ("SNS"), Systems Products International, Inc. ("SPI") and Digital Diagnostics Imaging, Inc. ("DDI"). Throughout this 2022 2023 Annual Report, the term "Kingsway Search Xcelerator" is used to refer to this segment.

 CSuite is a professional services firm that provides experienced chief financial officer and

CSuite provides financial executive services, for other finance professionals to its clients through a variety of flexible offerings. These offerings include project and interim-staffing interim staffing engagements, and contingent search services for full-time permanent placements for customers its clients throughout the United States.

Ravix provides outsourced financial services and human resources consulting for short or long duration engagements for customers in several states. throughout the United States.

SNS provides healthcare staffing services to acute healthcare facilities on a contract or per diem basis in the United States, primarily in California.

SPI provides software products created exclusively to serve the management needs of all types of shared-ownership properties throughout the United States, Europe, Asia, Mexico and the Caribbean,

DDI provides outsourced 24 hours a day and 7 days per week ("24/7") cardiac telemetry services for long-term acute care and inpatient rehabilitation hospitals. Outsourcing cardiac monitoring is intended to allow hospitals to eliminate personnel callouts and human resources issues, remove distractions from onsite operations, and free up facility staff to assist directly with patient care. DDI has been operating for over 10 years and currently has a presence in 42 states.

NON U.S.-GAAP FINANCIAL MEASURE

Throughout this 2022 2023 Annual Report, we present our operations in the way we believe will be most meaningful, useful and transparent to anyone using this financial information to evaluate our performance. In addition to the U.S. GAAP presentation of net income, we present segment operating income as a non-U.S. GAAP financial measure, which we believe is valuable in managing our business and drawing comparisons to our peers. Below is a definition of our non-U.S. GAAP measure and its relationship to U.S. GAAP.

Segment Operating Income

Segment operating income represents one measure of the pretax profitability of our segments and is derived by subtracting direct segment expenses from direct segment revenues. Revenues and expenses presented in the consolidated statements of operations are not subtotaled by segment; however, this information is available in total and bysegment in Note 22, "Segmented Information," to the Consolidated Financial Statements, regarding reportable segment information. The nearest comparable U.S. GAAP measure to total segment operating income is income (loss) from continuing operations before income tax (benefit) expense (benefit) that, in addition to total segment operating income, includes net investment income, net realized gains, loss net gain (loss) on change in fair value of equity investments, gain (loss) gain on change in fair value of limited liability investments, at fair value, net change in unrealized gain on private company investments, gain on change in fair value of real estate investments, impairment losses, (loss) gain on change in fair value of derivative asset option contracts, interest expense, other revenue and expenses not allocated to segments, net, amortization of intangible assets, loss on change in fair value of debt, gain on disposal of subsidiary and gain on extinguishment of debt not allocated to segments. debt. A reconciliation of total segment operating income to income (loss) from continuing operations before income tax (benefit) expense (benefit) for for the years years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 is presented in Table 1 of the "Results of Continuing Operations" section of MD&A.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and classification of assets and liabilities, revenues and expenses, and the related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recorded in the accounting period in which they are determined.

The Company's most critical accounting policies are those that are most important to the portrayal of its financial condition and results of operations, and that require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The Company has identified the following as its most critical accounting policies and judgments. Although management believes that its estimates and assumptions are reasonable, they are based upon information available when they are made, and therefore, actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

Service fee and commission revenue represents vehicle service agreement fees, guaranteed asset protection products ("GAP") commissions, maintenance support service fees, warranty product commissions, homebuilder warranty service fees, homebuilder warranty commissions, and business services consulting revenue, healthcare services revenue and software license and support revenue based on terms of various agreements with credit unions, consumers, businesses and homebuilders. Customers either pay in full at the inception of a warranty contract or commission product sale, or when consulting, healthcare and software license and support services are billed, or on terms subject to the Company's customary credit reviews.

The Company's revenue recognition policy follows guidance from ASC 606, *Revenue from Contracts with Customers,* which utilizes a five-step revenue recognition framework. The Company identifies the contract with its customers and then identifies the performance obligations in the contracts. The transaction price is determined based on the amount we expect to be entitled to in exchange for providing the promised services to the customer. The transaction price is allocated to each distinct performance obligation on a relative standalone selling price basis. Revenue is recognized when performance obligations are satisfied.

Certain of the Company's contracts with customers include obligations to provide multiple services to a customer. Determining whether services are considered distinct performance obligations that should be accounted for separately from one another requires judgment. Revenue from GAP commissions, and homebuilder warranty service fees and software license and support contain multiple distinct performance obligations that are accounted for separately.

Judgment is required to determine the standalone selling price ("SASP") for each distinct performance obligation. Revenue is allocated to each performance obligation based on the relative SASP. SASP are not directly observable in the GAP, and homebuilder warranty and software license and support contracts for the separate performance obligations. As a result,

For the GAP and homebuilder warranty contracts, the Company has applied the expected cost plus a margin approach to develop models to estimate the standalone selling price SASP for each of its performance obligations in order to allocate the transaction price to the two separate performance obligations identified. In these models, the Company makes judgments about which of its actual costs are associated with each of the performance obligations. The relative percentage of expected costs plus a margin associated with these performance obligations is applied to the transaction price to determine the estimated SASP of the performance obligations, which the Company recognizes as earned as services are performed over the term of the contract period.

For software license and Analysis

support contracts, the Company's software licenses are sold as term licenses, and the contracts include software support services, which are accounted for as separate performance obligations. Revenue is recognized upfront at the point in time when control is transferred, which is defined as the point in time when the customer can use and benefit from the license. The Company recognizes the portion of the transaction price allocated to the software license on a residual basis. The residual basis is used to allocate revenue when the contract arrangement includes a software license and has at least one performance obligation for which the SASP is observable, such as the software support services. The residual method is used as the selling price for software licenses in circumstances when the transaction price is highly variable and the SASP is not discernable from past transactions or other observable evidence. The Company evaluates the residual approach estimate compared to all available observable data in order to conclude the estimate is representative of its SASP. Software support revenue is recognized ratably over the contract period as services are rendered. The SASP of software support is consistent with the stand-alone pricing of subsequent software support renewals.

In certain jurisdictions the Company is required to refund to a customer a pro-rata share of the vehicle service agreement fees if a customer cancels the agreement prior to the end of the term. Depending on the jurisdiction, the Company may be entitled to deduct from the refund a cancellation fee and/or amounts for claims incurred prior to cancellation. While refunds vary depending on the term and type of product offered, historically refunds have averaged 9% averaged5.75% to 13%14% of the the original amount of the vehicle service agreement fee. Revenues recorded by the Company are net of variable consideration related to refunds and the associated refund liability is included in accrued expenses and other liabilities. The Company estimates refunds based on the actual historical refund rates by warranty type taking into consideration current observable refund trends in estimating the expected amount of future customer refunds to be paid at each reporting period.

Refer to Note 2, "Summary of Significant Accounting Policies," to the Consolidated Financial Statements for information about our revenue recognition accounting policies.

Valuation of Fixed Maturities and Equity Investments

Our equity investments including warrants, are recorded at fair value with changes in fair value recognized in net income. Fair value for our equity investments are determined using quoted market values based on latest bid prices, where active markets exist, or models based on significant market observable inputs, where no active markets exist.

For fixed maturities, we use observable inputs such as quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are inactive; or valuations based on models where the significant inputs are observable or can be corroborated by observable market data. We do not have any fixed maturities in our portfolio that require us to use unobservable inputs. The Company engages a third-party vendor who utilizes third-party pricing sources and primarily employs a market approach to determine the fair values of our fixed maturities. The market approach includes primarily obtaining prices from independent third-party pricing services as well as, to a lesser extent, quotes from broker-dealers. Our third-party vendor also monitors market indicators, as well as industry and economic events, to ensure pricing is appropriate. All classes of our fixed maturities are valued using this technique. We have obtained an understanding of our third-party vendor's valuation methodologies and inputs. Fair values obtained from our third-party vendor are not adjusted by the Company.

Gains and losses realized on the disposition of investments are determined on the first-in first-out basis and credited or charged to the consolidated statements of operations. Premium and discount on investments are amortized using the interest method and charged or credited to net investment income.

Fixed maturities and equity investments are exposed to various risks, such as interest rate risk, credit risk and overall market volatility risk. Accordingly, it is reasonably possible that changes in the fair values of the Company's investments reported at fair value will occur in the near term and such changes could materially affect the amounts reported in the consolidated financial statements.

Impairment Assessment of Investments

The establishment of an other-than-temporary impairment loss on an investment requires a number of judgments and estimates. A consistent and systematic process is followed for determining and recording an impairment loss, including the evaluation of securities in an unrealized loss position and securities with an allowance for credit losses.

We perform a quarterly analysis of our investments classified as available-for-sale fixed maturity investments and our limited liability other investments to determine if any declines in market value are other-than-temporary. The analysis for available-for-sale investments includes some or all an impairment loss has occurred.
Effective January 1, 2023, as a result of the following procedures, as applicable:

- identifying all unrealized loss positions that have existed for at least six months;
- identifying other circumstances management believes may affect the recoverability of the unrealized loss positions;
- obtaining a valuation analysis from third-party investment managers regarding the intrinsic value of these investments based on their knowledge and experience together with market-based valuation techniques;
- reviewing the trading range of certain investments over the preceding calendar period;
- assessing if declines in market value are other-than-temporary for debt instruments based on the investment grade credit ratings from third-party rating agencies;
- assessing if declines in market value are other-than-temporary for any debt instrument with a non-investment grade credit rating based on the continuity of its debt service record;
- determining the necessary provision for declines in market value that are considered other-than-temporary based on the analyses performed; and
- assessing the Company's ability and intent to hold these investments at least until any investment impairment is recovered.

The risks adoption of ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), if the decline in fair value is due to credit factors and uncertainties inherent the Company does not expect to receive cash flows sufficient to support the entire amortized cost basis, the credit loss is reported in the assessment methodology used consolidated statements of operations in the period that the declines are evaluated. Significant judgment is required in the determination of whether a credit loss has occurred for a security. The Company considers all available evidence when determining whether a security requires a credit allowance to determine declines in market value that are other-than-temporary include, but may not be limited to, recorded, including the following:

- the opinions of professional investment managers could be incorrect;
  extent to which the fair value has been less than amortized cost;
- the historical trading patterns financial condition and expected near-term and long term prospects of individual investments may not reflect future valuation trends; the issuer;
- whether the credit ratings assigned by independent credit rating agencies may be incorrect due to unforeseen or unknown facts related to a company's financial situation; issuer is current with interest and principal payments;
- credit ratings on the debt service pattern security or changes in ratings over time;
- general market conditions, industry, sector or other specific factors; and

- whether the Company expects to receive cash flows sufficient to recover the entire amortized cost basis of non-investment grade instruments may not reflect future debt service capabilities and may not reflect a company's unknown underlying financial problems. the security.

As a result of the analysis performed, the Company recorded an impairment loss related to other investments for the year ended December 31, 2023. There were no impairment losses recorded related to available-for-sale fixed maturity investments during the year ended December 31, 2023. See "Investments" section below and Note 7, "Investments," to the Consolidated Financial Statements for further information.

We perform a quarterly analysis of our limited liability investments and investments in private companies. The analysis includes some or all of the following procedures, as applicable:

- the opinions of external investment and portfolio managers;
- the financial condition and prospects of the investee;
- recent operating trends and forecasted performance of the investee;
- current market conditions in the geographic area or industry in which the investee operates;
- changes in credit ratings; and
- changes in the regulatory environment.

As a result of the analysis performed, to determine declines in market value that are other-than-temporary, the Company recorded write downs for other-than-temporary impairment losses related to limited liability investments and limited liability investments, at fair value. See "Investments" section below and Note 7, "Investments," to the Consolidated Financial Statements for further information.

Valuation of Limited Liability Investments, at Fair Value

Limited liability investments, at fair value represent the underlying investments of the Company's consolidated entities Net Lease Investment Grade Portfolio LLC ("Net Lease") and Argo Holdings Fund I, LLC ("Argo Holdings"). The Company accounts for these investments at fair value with changes in fair value reported in the consolidated statements of operations.

At December 31, 2022, Net Lease owns owned investments in limited liability companies that hold held investment properties. Net Lease sold its final investment property during its first quarter of 2023, and as a result, the Net Lease's investment in its underlying investments is zero at December 31, 2023. The fair value of Net Lease's investments is was based upon the net asset values of the underlying investments companies as a practical expedient to estimate fair value.

Argo Holdings makes investments in limited liability companies and limited partnerships that hold investments in search funds and private operating companies. The fair value of Argo Holdings' limited liability investments that hold investments in search funds is based on the initial investment in the search funds. The fair value of Argo Holdings' limited liability investments that hold investments in private operating companies is valued using a market approach.

Refer to Note 23, "Fair Value of Financial Instruments," to the Consolidated Financial Statements for further information.

Valuation of Deferred Income Taxes

The provision for income taxes is calculated based on the expected tax treatment of transactions recorded in our consolidated financial statements. In determining our provision for income taxes, we interpret tax legislation in a variety of jurisdictions and make assumptions about the expected timing of the reversal of deferred income tax assets and liabilities and the valuation of deferred income taxes.

The ultimate realization of the deferred income tax asset balance is dependent upon the generation of future taxable income during the periods in which the Company's temporary differences reverse and become deductible. A valuation allowance is established when it is more likely than not that all or a portion of the deferred income tax asset balance will not be realized. In determining whether a valuation allowance is needed, management considers all available positive and negative evidence affecting specific deferred income tax asset balances, including the Company's historical and anticipated future performance, the reversal of deferred income tax liabilities, and the availability of tax planning strategies.

Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of a company's deferred income tax asset balances when significant negative evidence exists. Cumulative losses are the most compelling form of negative evidence considered by management in this determination. To the extent a valuation allowance is established in a period, an expense must be recorded within the income tax provision in the consolidated statements of operations. As of December 31, 2022 December 31, 2023, the Company maintains a valuation allowance of $130.6 129.4 million, a all ll of which relates to its U.S. deferred income taxes. The largest component of the U.S. deferred income tax asset balance relates to tax loss carryforwards that have arisen as a result of losses generated from the Company's U.S. operations. Uncertainty over the Company's ability to utilize these losses over the short-term has led the Company to record a valuation allowance.

Future events may result in the valuation allowance being adjusted, which could materially affect our financial position and results of operations. If sufficient positive evidence were to arise in the future indicating that all or a portion of the deferred income tax assets would meet the more likely than not standard, all or a portion of the valuation allowance would be reversed in the period that such a conclusion was reached, which would beneficially impact our results of operations.

Accounting for Business Combinations and Asset Acquisitions

The Company evaluates acquisitions in accordance with Accounting Standards Codification 805, *Business Combinations* ("ASC 805"), to determine if a transaction represents an acquisition of a business or an acquisition of assets.

An acquisition of a business represents a business combination. The acquisition method of accounting is used to account for a business combination by assigning the purchase price to tangible and intangible assets acquired and liabilities assumed. Assets acquired and liabilities assumed are recorded at their fair values and the excess of the purchase price over the amounts assigned is recorded as goodwill. We determine the fair value of such assets and liabilities, often in consultation with third-party valuation advisors. Determining the fair value of assets acquired and liabilities assumed requires significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue, costs and cash flows, discount rates, royalty rates, and selection of comparable companies. The resulting fair values and useful lives assigned to acquisition-related intangible assets impact the amount and timing of future amortization expense. Acquired intangible assets with finite lives are amortized over their estimated useful lives. Adjustments to fair value assessments are recorded to goodwill over the measurement period, which is not to exceed one year but is considered complete once all necessary information is available to management to estimate fair value. Acquisition costs related to a business combination are expensed as incurred.

Contingent Consideration

When an acquisition does not meet the definition of a business combination either because: (i) substantially all

The consideration for certain of the Company's acquisitions include future payments to the former owners that are contingent upon the achievement of certain targets over future reporting periods. Liabilities for contingent consideration are measured and reported at fair value at the date of the gross assets acquired is concentrated acquisition with subsequent changes in a single identifiable asset, or group of similar identified assets, or (ii) the acquired entity does not have an input and a substantive process that together significantly contribute to the ability to create outputs, the Company accounts for the acquisition as an asset acquisition. In an asset acquisition, goodwill is not recognized. Any excess of the total purchase price plus transaction costs over the fair value of the net assets acquired is allocated on a relative fair value basis to the identifiable net assets at the acquisition date. The net assets acquired in an asset acquisition of property generally include, but are not limited to: land, building, building and tenant improvements, and intangible assets or liabilities associated with above-market and below-market leases and in-place leases.

The Company's methodology for determining fair value of the acquired tangible and intangible assets and liabilities includes estimating an "as-if vacant" fair value of the physical property, which includes land, building, and improvements. In addition, the Company determines the estimated fair value of identifiable intangible assets and liabilities, considering the following categories: (i) value of in-place leases, and (ii) above and below-market value of in-place leases. The value of in-place leases is estimated based on the value associated with the costs avoided in originating leases compared to the acquired in-place leases as well as the value associated with lost rental and recovery revenue during the assumed lease-up period. The value of in-place leases is amortized on a straight-line basis over the remaining lease term and is included in amortization of intangible assets reported in the consolidated statements of operationsas non-operating other expense..

Determining the fair value of contingent consideration liabilities requires management to make assumptions and judgments. The fair value of Company’s contingent consideration liabilities is estimated by applying the above-market Monte Carlo simulation method to forecast achievement of gross profit or below-market component gross revenue. These fair value measurements are based on significant inputs not observable in the market. Key inputs in the valuations include forecasted gross profit or revenue, gross profit or revenue volatility, discount rate and discount term. Management must use judgment in determining the appropriateness of an acquired lease is based upon the present value (calculated using a market discount rate) these assumptions as of the difference between the contractual rents to be paid pursuant to the lease over its remaining term acquisition date and management’s estimate of the rents that would be paid using fair market rental rates and rent escalations at the date of acquisition over the remaining term of the lease. An identifiable intangible asset or liability is recorded if there is an above-market or below-market lease at an acquired property. The amounts recorded for above-market leases are included each subsequent period. Changes in intangible assets on the consolidated balance sheets, and the amounts for below-market leases are included in accrued expenses and other liabilities on the consolidated balance sheets. These amounts are amortized on a straight-line basis as an adjustment to rental revenue over the remaining term of the applicable leases. Changes to these assumptions could result in a different pattern of recognition. If tenants do not remain in their lease through the expected term or exercise an assumed renewal option, there could be have a material impact on the amount of contingent consideration benefit or expense reported in the consolidated statements of operations and have an impact on the payout of contingent consideration liabilities. Contingent consideration liabilities are revalued each reporting period. Changes in the fair value of contingent consideration liabilities can result from changes to earnings. one or multiple inputs, including adjustments to the key inputs or changes in the assumed achievement or timing of any targets. Any changes in fair value are reported in the consolidated statements of operations as non-operating other expense. Additional information regarding our contingent consideration liabilities is included in

Note 23 , " Fair Value of Financial Instruments ," to the Consolidated Financial Statements.

Valuation and Impairment Assessment of Intangible Assets

Intangible assets are recorded at their estimated fair values at the date of acquisition. Intangible assets with definite useful lives consist of database developed technology and customer relationships. Intangible assets with definite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. If circumstances require that a definite-lived intangible asset be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by that definite-lived intangible asset to its carrying amount. If the carrying amount of the definite-lived intangible asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value.

Indefinite-lived intangible assets consist of trade names, which are assessed for impairment annually as of November 30, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. The Company may perform its impairment test for any indefinite-lived intangible asset through a qualitative assessment or elect to proceed directly to a quantitative impairment test, however, the Company may resume a qualitative assessment in any subsequent period if facts and circumstances permit.

Under the qualitative approach, the impairment test consists of an assessment of whether it is more likely than not that an indefinite-lived intangible asset is impaired. If the Company elects to bypass the qualitative assessment for any indefinite-lived intangible asset, or if a qualitative assessment indicates it is more likely than not that the estimated carrying amount of such asset exceeds its fair value, the Company performs a quantitative test. Factors that could trigger a quantitative impairment review include, but are not limited to, significant under performance relative to historical or projected future operating results and significant negative industry or economic trends.

As of November 30, 2022 November 30, 2023, the Company conducted its annual qualitative assessment. As a result, the Company determined that certain trade names should be further examined under a quantitative approach. Based on the results of the quantitative approach, the estimated fair values of the trade names exceeded their respective carrying values; therefore, the Company did not record any impairment. However, the Company notes that certain of its indefinite-lived intangible assets are sensitive to changes in interest rates, as well as the performance of the underlying business. Changes in interest rates and/or if the business underlying the intangible asset performs below the assumptions used in the original purchase accounting could cause certain intangible assets to become impaired.

No impairment charges were recorded against intangible assets in 2022 2023 or 2021. 2022. Additional information regarding our intangible assets is included in Note 9, "Intangible Assets," to the Consolidated Financial Statements.

Goodwill Recoverability

Goodwill is assessed for impairment annually as of November 30, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. In evaluating the recoverability of goodwill, the Company estimates the fair value of its reporting units and compares it to the carrying value. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to such excess.

For Extended Warranty, the Company estimates the fair value using a valuation technique based on observed market capitalization multiples of earnings before interest, taxes, depreciation and amortization ("EBITDA") for a group of publicly traded insurance services and insurance brokerage companies, an approach that the Company views as a technique consistent with the objective of measuring fair value consistent with prior years' assessments performed.

For Kingsway Search Xcelerator, the Company estimates the fair value using a valuation technique based on observed market capitalization multiples of EBITDA from its recent acquisitions of similar businesses.

Estimating the fair value of reporting units requires the use of significant judgments that are based on a number of factors including actual operating results, internal forecasts, market observable pricing multiples of similar businesses and comparable transactions and determining the appropriate discount rate and long-term growth rate assumptions. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of goodwill impairment. It is reasonably possible that the judgments and estimates described above could change in future periods.

Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of the goodwill impairment charge, or both.

No impairment charges were recorded against goodwill in 2022 2023 or 2021, 2022, as the estimated fair values of the reporting units exceeded their respective carrying values. Additional information regarding our goodwill is included in Note 8, "Goodwill," to the Consolidated Financial Statements.

KINGSWAY FINANCIAL SERVICES INC.

Deferred Contract Costs

Deferred contract costs represent the deferral of incremental costs to obtain or fulfill a contract with a customer. Incremental costs to obtain a contract with a customer primarily include sales commissions. The Company capitalizes costs incurred to fulfill a contract if the costs are identifiable, generate or enhance resources used to satisfy future performance obligations and are expected to be recovered. Costs to fulfill a contract include labor costs for set-up activities directly related to the acquisition of vehicle service agreements. Contract costs are deferred and amortized over the expected customer relationship period consistent with the pattern in which the related revenues are earned. Amortization of incremental costs to obtain a contract and costs to fulfill a contract with a customer are recorded in commissions and general and administrative expenses, respectively, in the consolidated statements of operations. No impairment charges related to deferred contract costs were recorded in 2022 2023 or 2021. 2022.

Fair Value Assumptions for Subordinated Debt Obligations

Our subordinated debt is measured and reported at fair value. The fair value of the subordinated debt is calculated using a model based on significant market observable inputs and inputs developed by a third-party. These inputs include credit spread assumptions developed by a third-party and market observable swap rates. The following summarizes the impacts:

Impact of Rate Change on Fair Value	2022 2023 Result	2021 2022 Result
Libor: Libor/SOFR:		
increase causes fair value to increase; decrease causes fair value to decrease	Increase to fair value	Increase to fair value
Risk free rate:		
increase causes fair value to decrease; decrease causes fair value to increase	Decrease Increase to fair value	Decrease to fair value

The other primary variable affecting the fair value of debt calculation is the passage of time, which will always have the effect of increasing the fair value of debt.

Therefore, changes in the underlying interest rates used would cause the fair value to be impacted, but only impacts the income statement (or comprehensive income/loss for the portion related to credit risk) and does not impact cash flows.

Fair Value Assumptions for Subsidiary Stock-Based Compensation Awards

Three Certain of the Company's subsidiaries PWSC, Ravix and SNS, have made grants of restricted stock awards or restricted unit awards (together "Subsidiary Restricted Awards"). The Subsidiary Restricted Awards are measured at fair value on the date of grant and recognized as compensation expense on a straight-line basis over the requisite service period during which awards are expected to vest, with a corresponding increase to either additional paid-in capital for equity-classified awards or to a liability for liability-classified awards. Certain of the Subsidiary Restricted Awards are classified as a liability either because they contain a noncontingent put option that is exercisable less than six months after the vesting of certain shares or because the awards are expected to settle in cash. Liability-classified awards, included in accrued expenses and other liabilities in the consolidated balance sheets, are measured and reported at fair value on the date of grant and are remeasured each reporting period. The The Subsidiary Restricted Awards contain performance vesting and/or market vesting conditions. Performance vesting conditions are reviewed quarterly to assess the probability of achievement of the performance condition. Compensation expense is adjusted when a change in the assessment of achievement of the specific performance condition is determined to be probable. Compensation expense is recognized on a straight-line basis for awards subject to market conditions regardless of whether the market condition is satisfied, provided that the requisite service has been provided. Forfeitures are recognized in the period that Subsidiary Restricted Awards are forfeited.

The determination of fair value of the Subsidiary Restricted Awards is subjective and involves significant estimates and assumptions of whether the awards will achieve performance thresholds. The fair value of the Subsidiary Restricted Awards is estimated using either an internal valuation model without relevant observable market inputs, the Black-Scholes option pricing model and/or the Monte Carlo simulation model to derive certain inputs. The significant inputs used in the internal valuation model includes a valuation multiple applied to trailing twelve month earnings before interest, tax, depreciation and amortization. The determination of the grant date fair value using the Black-Scholes option-pricing model is affected by subjective assumptions, including the expected term of the awards, expected volatility over the expected term of the awards, expected dividend yield, and risk-free interest rates. The determination of the grant date fair value using the Monte Carlo simulation model is affected by subjective assumptions, including the expected term of the awards, expected volatility over the expected term of the awards and risk-free interest rates. The assumptions used in the Company’s Black-Scholes option-pricing and Monte Carlo simulation models requires significant judgment and represents management’s best estimates.

Derivative Financial Instruments

Derivative financial instruments include interest rate swap contract and the trust preferred debt repurchase options. options (through the March 2023 exercise date). The Company measures derivative financial instruments at fair value. The fair value of derivative financial instruments is required to be revalued each reporting period, with corresponding changes in fair value recorded in the consolidated statements of operations. Realized gains or losses are recognized upon settlement of the contracts. See Note 11, "Derivatives" and Note 23, "Fair Value of Financial Instruments" to the Consolidated Financial Statements, for further discussion.

Contingent Consideration

The consideration for certain of the Company's acquisitions include future payments to the former owners that are contingent upon the achievement of certain targets over future reporting periods. Liabilities for contingent consideration are measured and reported at fair value at the date of acquisition with subsequent changes in fair value reported in the consolidated statements of operations as non-operating other (expense) revenue.

Determining the fair value of contingent consideration liabilities requires management to make assumptions and judgments. The fair value of Company's contingent consideration liabilities is estimated by applying the Monte Carlo simulation method to forecast achievement of gross profit or gross revenue. These fair value measurements are based on significant inputs not observable in the market. Key inputs in the valuations include forecasted gross profit or revenue, gross profit or revenue volatility, discount rate and discount term. Management must use judgment in determining the appropriateness of these assumptions as of the acquisition date and for each subsequent period. Changes in assumptions could have a material impact on the amount of contingent consideration benefit or expense reported in the consolidated statements of operations and have an impact on the payout of contingent consideration liabilities. Contingent consideration liabilities are revalued each reporting period. Changes in the fair value of contingent consideration liabilities can result from changes to one or multiple inputs, including adjustments to the key inputs or changes in the assumed achievement or timing of any targets. Any changes in fair value are reported in the consolidated statements of operations as non-operating other (expense) revenue. Additional information regarding our contingent consideration liabilities is included in Note 23, "Fair Value of Financial Instruments," to the Consolidated Financial Statements.

RESULTS OF CONTINUING OPERATIONS

A reconciliation of total segment operating income to net income for the years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 is presented in Table 1 below:

Table 1 Segment Operating Income for the Years Ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022
For the years ended December 31 (in thousands of dollars)

	2022	2021	Change	2023	2022	Change
Segment operating income (loss)						
Segment operating income						
Extended Warranty	9,879	12,636	(2,757)	6,983	9,879	(2,896)
Kingsway Search Xcelerator	3,548	484	3,064	5,252	3,548	1,704
Total segment operating income	13,427	13,120	307	12,235	13,427	(1,192)
Net investment income	2,305	1,575	730	1,804	2,305	(501)
Net realized gains	1,209	1,809	(600)	761	1,209	(448)
Loss on change in fair value of equity investments	(26)	(242)	216			
(Loss) gain on change in fair value of limited liability investments, at fair value	(1,754)	2,391	(4,145)			
Net gain (loss) on equity investments				3,397	(26)	3,423
Gain (loss) on change in fair value of limited liability investments, at fair value				78	(1,754)	1,832
Net change in unrealized gain on private company investments				63	—	63
Gain on change in fair value of real estate investments	1,488	—	1,488	—	1,488	(1,488)
Gain on change in fair value of derivative asset option contracts	16,730	—	16,730			
Impairment losses				(229)	—	(229)
(Loss) gain on change in fair value of derivative asset option contracts				(1,366)	16,730	(18,096)
Interest expense	(8,092)	(6,161)	(1,931)	(6,250)	(8,092)	1,842
Other revenue and expenses not allocated to segments, net	(17,206)	(11,395)	(5,811)	(12,823)	(17,206)	4,383
Amortization of intangible assets	(6,133)	(4,837)	(1,296)	(5,909)	(6,133)	224
Loss on change in fair value of debt	(4,908)	(3,201)	(1,707)	(68)	(4,908)	4,840
Gain on disposal of subsidiary	37,917	—	37,917	342	37,917	(37,575)
Gain on extinguishment of debt not allocated to segments	—	311	(311)			
Income (loss) from continuing operations before income tax expense (benefit)	34,957	(6,630)	41,587			

Income tax expense (benefit)	4,825	(3,916)	8,741			
Income (loss) from continuing operations	30,132	(2,714)	32,846			
(Loss) income from discontinued operations, net of taxes	(12,805)	4,574	(17,379)			
Gain on extinguishment of debt				31,616	—	31,616
Income from continuing operations before income tax (benefit) expense				23,651	34,957	(11,306)
Income tax (benefit) expense				(1,899)	4,825	(6,724)
Income from continuing operations				25,550	30,132	(4,582)
Income (loss) from discontinued operations, net of taxes				450	(12,805)	13,255
Loss on disposal of discontinued operations, net of taxes	(2,262)	—	(2,262)	(1,988)	(2,262)	274
Net income	15,065	1,860	13,205	24,012	15,065	8,947

Segment Operating Income, Income (Loss) from Continuing Operations and Net Income

For the year ended December 31, 2022 December 31, 2023, we reported segment operating income of $13.4 12.2 million compared to $13.1 13.4 million for the year ended December 31, 2021 December 31, 2022. The increase decrease is primarily due to the following items:

- The disposal of PWSC as of July 29, 2022, which had segment operating income of $1.0 million prior year to date; and
- Decreased operating income at the other Extended Warranty subsidiaries (see further discussion below); which was partially offset by
- Increased operating income from Kingsway Search Xcelerator, primarily due to including Ravix SNS for twelve months in 2022 2023 (acquired October 2021) in November 2022), as well as the November 2022 acquisitions October 2023 acquisition of CSuite DDI. SNS and SNS, which was partially offset by
- 2021 operating income in Extended Warranty segment includes a gain on extinguishment of debt of $2.2 million, related to Paycheck Protection Program ("PPP") loan forgiveness, while there was zero in 2022;
- 2022 operating income includes a reduction to IWS DDI had combined operating income of $0.9 million, due to a change in estimate of IWS' deferred revenue and deferred contract costs associated with vehicle service contract fees; and
- The disposal of PWSC as of July 29, 2022, which had segment operating income of $0.1 million and $2.6 million $1.9 million for 2022 and 2021, 2023, respectively.

For the year ended December 31, 2022 December 31, 2023, we reported income from continuing operations of $30.1 25.6 million compared to a loss from continuing operations of $2.7 30.1 million for the year ended December 31, 2021 December 31, 2022. The income from continuing operations for 2022 2023 is primarily due to:

- A gain on extinguishment debt of $31.6 million, related to the repurchase of the trust preferred debt; and
- Gain on equity investments, which includes a gain of $3.3 million related to the Company's investment in Limbach Holdings, Inc. ("Limbach"); which was partially offset by
- Other revenue and expenses not allocated to segments, net, which includes a management fee expense of $1.8 million paid to the managers of Flower Portfolio 001, LLC ("Flower") and Net Lease Investment Grade Portfolio LLC ("Net Lease").

See Note 12, " Debt," and Note 11, "Derivatives," to the Consolidated Financial Statements, for further discussion of the repurchase of the trust preferred debt and trust preferred debt repurchase options.

The income from continuing operations for the year ended December 31, 2022, is primarily due to:

- A gain on disposal of subsidiary of $37.9 million, related to the sale of PWSC;
- A PWSC, a gain on change in fair value of derivative asset option contracts of $16.7million, related to the trust preferred debt repurchase options;
- A options, and a gain on change in fair value of real estate investments of $1.5 million; all of which were partially offset by
- An increase in interest expense related to rising interest rates;
- Other rates, other revenue and expenses not allocated to segments, net, which includes a $4.8 million increase in the fair value $6.1 million of expense related to previously-granted awards to PWSC employees that are accounted for on a fair value basis and $1.2 $1.5 million increase in of expense due to the increase in fair value of the Ravix contingent consideration;
  and
- Loss on change in fair value of debt, which increased by $1.7 million;
- Loss loss on change in fair value of limited liability investments, at fair value which increased by $4.1 million (see below); and

- Income income tax expense which increased by $8.7 million. The income tax expense in 2022 is primarily due to the state tax expense associated with the sale of PWSC on July 29, 2022, and the related increase in valuation allowance from the accelerated utilization of indefinite life interest expense carryforwards as a result of such sale. The income tax benefit in 2021 is primarily due to the release of valuation allowance as a result of deferred tax liabilities available in 2021 arising from the acquisitions of Ravix Financial and PWI available to offset existing deferred tax assets. sale
.

The loss from continuing operations for the year ended December 31, 2021 is primarily due to operating income in Extended Warranty (which includes gain on extinguishment of debt of $2.2 million, related to PPP loan forgiveness) that was negatively impacted by recording a $1.9 million non-cash, cumulative reduction to service fee and commission revenue relating to the decrease in PWI acquired deferred service fees as a result of finalizing the purchase accounting, net investment income, net realized gains, gain on change in fair value of limited liability investments, at fair value and income tax benefit, partially offset by interest expense, other revenue and expenses not allocated to segments, net, increased amortization of intangible assets as a result of a $1.9 million non-cash, cumulative adjustment related to finalizing the PWI purchase accounting and loss on change in fair value of debt.

For the year ended December 31, 2022 December 31, 2023, we reported net income of $15.1 24.0 million compared to $1.9 15.1 million for the year ended December 31, 2021 December 31, 2022. In addition to the items described above impacting income (loss) from continuing operations, the net income includes:

- A Income from discontinued operations, net of taxes of $0.5 million and loss from discontinued operations, net of taxes of $12.8 million and income from discontinued operations, net of taxes of $4.6 $12.8 million for the years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively; and
- A loss on disposal of discontinued operations, net of taxes of $2.0 million and $2.3 $2.3million for the year years ended December 31, 2023 and December 31, 2022, respectively.

The For the year ended December 31, 2023, the income from discontinued operations is related to the operations of VA Lafayette. For the year ended December 31, 2022, the loss from discontinued operations is related to the operations of CMC and VA Lafayette and is primarily due to a final management fee of $16.4 million resulting from the sale of the CMC railyard.

T For the year ended December 31, 2023, he the loss on disposal of discontinued operations is the result of adjusting the net carrying value of VA Lafayette to be equal to the estimated selling price. As discussed in Note 5 "Disposal and Discontinued Operations," to the Consolidated Financial Statements, during the fourth quarter of 2022, the Company committed to a plan sell VA Lafayette. During the first quarter of 2024, the Company entered into a letter of intent for the sale of VA Lafayette. As part of recognizing the business as held for sale, the Company is required to measure VA Lafayette at the lower of its carrying amount or fair value less cost to sell. As a result of this analysis, during 2023, the Company recognized an estimated non-cash, loss on disposal of $2.0 million, which is included in loss on disposal of discontinued operations, net of taxes in the consolidated statements of operations. The loss was determined by comparing the expected cash consideration received for the sale of VA Lafayette with the net assets of VA Lafayette.
For the year ended December 31, 2022, the loss on disposal of discontinued operations includes the gain on disposal of CMC of $0.2 million and a loss of $2.5 million related to a liability recorded at September 30, 2022 during 2022 regarding the Company's obligation to indemnify a former subsidiary for open claims (the maximum liability under the indemnity is $2.5 million). See Note 5 "Disposal and Discontinued Operations," to the Consolidated Financial Statements, for further discussion.

Extended Warranty

The Extended Warranty service fee and commission revenue decreased 0.1% 7.8% (or $0.9 million $5.8 million) to $68.2 million for the year ended December 31, 2023 compared with $74.0 million for the year ended December 31, 2022 compared with $74.9 million for the year ended December 31, 2021. Service fee and commission revenue was impacted by the following in 2022: 2023:

- A $3.1 million $4.9 million decrease at PWSC, due to the sale of PWSC on July 29, 2022 (the financial results for PWSC are only included through the disposal date);
- A $2.1 million decrease at Trinity, primarily driven by decreases in its equipment breakdown and maintenance support services due to mild weather conditions, which results in fewer service calls, as well as a decrease in the sales of its warranty products due to long lead times on product availability and installations;
- A $0.7 $0.3 million decrease at Geminus, due to the continued supply-chain issues in the automotive industry, resulting in significant increases in the prices of used automobiles, making it difficult for smaller automobile dealers to obtain inventory and, therefore, putting downward pressure on revenue; both of which were partially offset by Geminus;
- A $1.3 million $0.9 million increase at PWI. During PWI; PWI sold slightly more contracts sold in 2023 than 2022, but average cash sales per contract was down slightly. In the third quarter second half of 2021, PWI recorded a $1.9 million non-cash, cumulative reduction to service fee and commission revenue relating to the decrease in PWI acquired deferred service fees as a result of finalizing the purchase accounting. This 2022, there was partially offset by similar macro-economic conditions as explained above for Geminus, as well as a restructuring of leadership at PWI that has resulted in a higher focus on salesforce production;
- A $1.2 million increase at Trinity, primarily driven by a $0.9 million increase in its equipment breakdown and maintenance support services, as Trinity continues to recover from the original impacts of the COVID-19 pandemic; and

- A $0.4 $0.6 million increase at IWS. During the first quarter of 2022, there was a change in estimate of IWS' deferred revenue associated with vehicle service contract fees, which resulted in a reduction to IWS revenue of $1.2 million. This reduction was more than offset by an increase in revenue due primarily to an increase in the number of VSAs written in 2022, as sales volume continues to trend up towards pre-COVID levels. IWS sells a substantial amount of VSAs for new automobiles but, more importantly, its products are distributed through credit unions at the point of vehicle financing, which has been less impacted by the recent current macro-economic conditions. However, in 2023 IWS has been impacted by the loss of two customers (one due to acquisition, one due to change in management), which was partially offset by growth at new and existing customers, the latter usually due to credit unions getting competitive on interest rates. During the first quarter of 2022, there was a change in estimate of IWS' deferred revenue associated with vehicle service contract fees, which resulted in a reduction to IWS revenue of $1.2 million.

The Extended Warranty operating income was $7.0 million for the year ended December 31, 2023 compared with $9.9 million for the year ended December 31, 2022 compared with $12.6 million for. We saw an increase in claims paid at our auto Extended Warranty companies – both sequentially and year over year – primarily due to inflationary pressures on the year ended December 31, 2021. The 2021 operating income results include a $1.9 million non-cash, cumulative reduction to service fee cost of parts and commission revenue relating to the decrease in PWI acquired deferred service fees as a result of finalizing the purchase accounting. labor.

Operating income was primarily impacted by the following:

- Inclusion of PPP loan forgiveness related to Extended Warranty companies of $2.2 million for 2021, of which there was zero in 2022;
- A 1.1 million $0.9 million decrease at PWSC, to an operating income of $0.9 million, primarily due to the sale of PWSC on July 29, 2022;
- A $0.5 million $0.7 million decrease at Geminus to $1.3 million, $0.5 million, due to a decrease an increase in revenue that was commission expense and claims authorized on vehicle service agreements, partially offset by a slight decrease in lower general and administrative expenses; all of which were partially offset by expenses compared to 2022;
- A $0.5 $0.7 million increase decrease at IWS to $4.0 $3.3 million, primarily due to increased revenue. This claims authorized on vehicle service agreements. General and administrative expenses and commissions were essentially flat compared to 2022. During 2022, there was partially offset by a change in estimate of IWS' deferred revenue and deferred contract costs associated with vehicle service contract fees, which resulted in a reduction to IWS operating income of $0.9 million in 2022. Also, during 2022, IWS had a slight increase in commission and claims expense, as a decrease in the number of claims was slightly more than offset by an increase in the average cost of a claim; 2022;
- A $0.3 $0.6 million increase decrease at PWI Trinity to $2.1 million. The 2021 results include $1.1 million, primarily due to a $1.9 million non-cash, cumulative reduction to service fee and commission revenue relating to the decrease in PWI acquired deferred service fees as a result of finalizing the purchase accounting. The operating income for 2022 was impacted by an increase in claims expense (decreased volume of claims revenue that was more than partially offset by a higher average decrease in cost per claim) compared to 2021; of services sold (higher percent of warranty product sales in 2023 than 2022); and
- A $0.2 less than $0.1 million increase decrease at Trinity PWI to $1.7 million, primarily due to an increase in revenue that was partially offset by an increase in cost of services sold and higher general and administrative expenses compared to 2021. $2.0 million.

Kingsway Search Xcelerator

The Kingsway Search Xcelerator revenue increased to $35.0 million for the year ended December 31, 2023 compared with $19.2 million for the year ended December 31, 2022. Kingsway Search Xcelerator operating income was $5.3 million for the year ended December 31, 2023 compared with with $3.5 million for the year ended December 31, 2021. Kingsway Search Xcelerator operating income was $3.5 million for the year ended December 31, 2022 compared with $0.5 million for the year ended December 31, 2021 December 31, 2022. The increase in revenue and operating income is primarily due to the inclusion of Ravix for a full year in 2022 following its acquisition effective October 1, 2021, as well as revenue and operating income derived from CSuite and SNS, which were acquired on November 1, 2022 and November 18, 2022, respectively. to:

- Increased segment operating income at Ravix. While revenue was down $1.2 million compared to 2022; gross margin and operating income increased $0.4 million compared to the prior year due to lower cost of sales and lower general and administrative expenses;
- The inclusion of CSuite and SNS for twelve months during 2023 following their acquisitions effective November 1, 2022 and November 18, 2022, respectively. For 2023, CSuite and SNS had combined revenue and operating income of $19.1 million and $1.6 million, respectively; and
- The revenue and operating income derived from SPI and DDI, which were acquired September 7, 2023 and October 26, 2023, respectively. SPI and DDI had combined revenue and operating income of $1.7 million and $0.2 million, respectively from their dates of acquisition through December 31, 2023.

Net Investment Income

Net investment income was $1.8 million in 2023 compared to $2.3 million in 2022 compared 2022. The decrease in 2023 primarily relates to $1.6 million in 2021. The increase in 2022 relates primarily to higher investment income from the Company's limited liability investments, fixed maturities and cash equivalents. The Company also benefited from increasing interest rates and an increase in the Company's unrestricted cash balance (from $10.1 million as of December 31, 2021 to $64.2 million as of December 31, 2022).

The increases above were partially offset by a decrease in investment income from the Company's real estate investments and limited liability investments at fair value, which is recognized based on as a majority of those assets have been sold in recent years, partially offset by higher investment income from cash equivalents and fixed maturities due to the Company's share of the earnings of the limited liability entities. generally higher interest rate environment.

Net Realized Gains

The Company recorded net realized gains of $0.8 million in 2023 compared to $1.2 million in 2022 compared to $1.8 million in 2021. 2022. The net realized gains for 2022 2023 and 2021 2022 primarily relate to:

- Net realized gains on sales of limited liability investments;
- Realized gains recognized by Argo Holdings Fund I, LLC ("Argo Holdings"); and
- Distributions received from one of the Company's investments in private companies in which its carrying value previously had been written down to zero as a result of prior distributions.

Net Gain (Loss) on Equity Investments

Net gain on equity investments was $3.4 million in 2023 compared to a net loss of less than $0.1 million in 2022. The net gain for 2023 primarily relates to the Company's investment in Limbach. Prior to the second quarter of 2023, the Company held warrants in Limbach. During the first quarter of 2023, the underlying common stock price of Limbach increased, resulting in an increase in the fair value of the warrants held at March 31, 2023. During the second quarter of 2023, the Company completed a cashless exercise of its Limbach warrants. During the third quarter of 2023, the Company sold all of its shares of Limbach common stock.

Gain (Loss)on Change in Fair Value of Limited Liability Investments, at Fair Value

Loss Gain on change in fair value of limited liability investments, at fair value was $1.8 million $0.1 million in 2022 2023 compared to a loss of $1.8 million in 2022. The gain for the year ended December 31, 2023 represents an increase in fair value of $2.4 million $0.7 million related to Argo Holdings, partially offset by a decrease in 2021. fair value of $0.6 million related to Net Lease Investment Grade Portfolio LLC ("Net Lease"). The loss for the year ended December 31, 2022 represents includes decreases in fair value of $0.9 million related to Net Lease Investment Grade Portfolio LLC ("Net Lease") and $0.8 million related to Argo Holdings. The remaining property in final Net Lease property was sold in February 2023.

The gain for 2023 and, as such, as of December 31, 2023 Argo Holdings was the year ended December 31, 2021 includes increases only asset group left in fair value of $1.6 million related to Net Lease, due to the sale of one of the Net Lease investment properties, and $0.8 million related to Argo Holdings. this category.

Gain on Change in Fair Value of Real Estate Investments

Gain on change in fair value of real estate investments was $1.5 million$1.5 million in 2022 compared to zero in 2021. 2022. Real estate investments solely relates to represented investment real estate properties held by the Company's consolidated subsidiary, Flower Portfolio 001, LLC ("Flower"). The Company consolidates the financial statements of Flower on a three-month lag. The increase in fair value is was attributable to the sale of the Flower real estate investment properties for $12.2 million, which closed on September 29, 2022. As a result of the three-month lag, the Company recorded the sale transaction December 31, 2023, there were no remaining investments in its fourth quarter 2022 financial statements. this category.

KINGSWAY FINANCIAL SERVICES INC.

Management's Discussion and Analysis

(Loss) Gain on Change in Fair Value of Derivative Asset Option Contracts

Gain Loss on change in fair value of derivative asset option contracts was $16.7 $1.4 million in 2022 2023 compared to zero a gain of $16.7 million in 2021, due 2022. The derivative contract relates to the fact that three trust preferred debt repurchase option agreements the Company entered into three option agreements during the third quarter of 2022 to 2022. The Company exercised the repurchase a significant portion options during the first quarter of its subordinated debt. 2023. The amount gain for the year ended December 31, 2022 relates to the $11.4 million difference between the fair value of the option at date of inception ($13.7 million) and the cash consideration paid of (total of $11.4 million), and ($2.3 million), as well as the subsequent change in fair value of $5.3 million through as of December 31, 2022.

Refer to Note 11, "Derivatives," to the Consolidated Financial Statements, for further information on the option agreements.

KINGSWAY FINANCIAL SERVICES INC.

Management's Discussion and Analysis

Interest Expense

Interest expense for 2022 2023 was $8.1 million $6.3 million compared to $6.2 million $8.1 million in 2021. 2022. The increase decrease in 2022 2023 is primarily attributable to:

- $2.1 million higher interest expense A decrease of $3.3 million on the Company's subordinated debt. During the first quarter of 2023, the Company repurchased TruPs debt which resulted from having a principal amount of $75.5 million, resulting in 2023 year to date interest expense including only the one remaining TruPs debt instrument outstanding during the last three quarters of 2023, partially offset by generally higher London interbank offered interest rates ("LIBOR") for three-month U.S. dollar deposits and CME Term SOFR during 2022 2023 compared to 2021 2022. The Company's subordinated debt bears bore interest at the rate of LIBOR, plus spreads ranging from 3.85% to 4.20%. Effective July 3, 2023, the index used for determining the interest rate for the remaining trust preferred debt instrument converted from LIBOR to CME Term SOFR;
- An increase
A decrease of $0.3 million related to notes payable held by the Company's consolidated subsidiary, Flower. The Flower debt was repaid in the third quarter of 2022;
- A decrease of $0.2 million related to the 2021 Ravix Loan, which was effective October 1, 2021, and has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 3.75% (current rate of 8.00% 9.00%);
- An
An increase of $0.1 million $0.8 million related to the new $6.0 million 2022 Ravix Loan, which was effective November 16, 2022 and has an annual interest rate equal to the Prime Rate plus 0.75% (current rate of 8.25% 9.25%);
- An
An increase of $0.1 million $0.6 million related to the new 2020 KWH Loan, as a result of a decrease in fair value of the interest rate swap related to the 2020 KWH bank loan;
- An increase of $0.5 million related to the $6.5 million SNS Loan, which was effective November 18, 2022 and has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 5.00% (current rate of 8.00% 9.00%); all of which were partially offset by
- and A decrease of $0.4 million, related to the 2020 KWH Loan, as a result of lower principal balance, as well as an increase in fair value of the interest rate swap related to the 2020 KWH bank loan; and
- A decreasen increase of $0.1 million related to notes payable at Net Lease. The Net Lease debt the new $6.0 million DDI Loan, which was repaid in the fourth quarter of 2020, however due effective October 26, 2023 and has an annual interest rate equal to the three-month reporting lag for Net Lease, the Company continued to report interest expense through the first quarter Prime Rate plus 0.5%, or 5.00% (current rate of 2021 related to the Net Lease debt. 9.00%).

See "Debt" section below See Note 12, "Debt," to the Consolidated Financial Statements, for further details.

Other Revenue and Expenses not Allocated to Segments, Net

Other revenue and expenses not allocated to segments was a net expense of $12.8 million in 2023 compared to $17.2 million in 2022 compared to $11.4 million in 2021. 2022. Included are revenue and expenses associated with our various other investments that are accounted for on a consolidated basis, our former insurance company that has been in run-off since 2012, and expenses associated with our corporate holding company.

The increase decrease in net expense for 2022 2023 is primarily attributable to a $4.8 million increase decreases in the fair value stock-based compensation expense of $6.1 million related to previously-granted awards to PWSC employees that are accounted for on a fair value basis and expense related to the Ravix contingent consideration liability, partially offset by increases due to management fees paid to the managers of Flower and Net Lease, acquisition related expenses during 2023 compared to 2022, and an increase in the fair value number of the Ravix contingent consideration liability of $1.2 million, partially offset by lower general and administrative expense incurred by the holding company during 2022 compared to 2021. searchers in our Kingsway Search Xcelerator segment.

Amortization of Intangible Assets

Amortization of intangible assets was $6.1 million in 2022 compared to $4.8 million in 2021.

The higher amortization expense for 2022 is related to amortization of intangible assets recorded in conjunction with the Company's acquisitions of Ravix effective October 1, 2021, CSuite effective November 1, 2022 and SNS effective November 18, 2022. During 2022, the Company recorded $1.1 million, $0.3 million and $0.3 million, respectively, of amortization expense related to the intangible assets identified as part of the acquisitions of Ravix, CSuite and SNS.

See Note 4, "Acquisitions," to the Consolidated Financial Statements for further details on the Company's acquisitions of Ravix, CSuite and SNS.

Loss on Change in Fair Value of Debt

The loss on change in fair value of debt amounted to $0.1 million in 2023 compared to $4.9 million in 2022 compared 2022. During the first quarter of 2023, the Company repurchased TruPs debt having a principal amount of $75.5 million. The change in fair value related to $3.2 million the repurchased TruPs debt was a gain of $0.3 million and the change in 2021. fair value related to the remaining TruPs debt instrument was a loss of $0.3 million during the year ended December 31, 2023.

The loss for 2023 and 2022 reflects an increase changes in the fair value of the subordinated debt resulting primarily from changes in interest rates used (not related to instrument-specific credit risk). The following summarizes the impacts:

Impact of Rate Change on Fair Value	2022 Result	2021 Result
Libor:		

increase causes fair value to increase; decrease causes fair value to decrease	Increase to fair value	Increase to fair value
Risk free rate:		
increase causes fair value to decrease; decrease causes fair value to increase	Decrease to fair value	Decrease to fair value

See "Debt" section below for further information.

Gain on Disposal of Subsidiary

On July 29, 2022, the Company sold its 80% majority-owned subsidiary, PWSC. As a result of the sale, the Company recognized a net gain on disposal of $37.9 million during 2022. During 2023, the Company recorded an additional gain on disposal of PWSC of $0.3 million during related to the third quarter working capital true-up and release of 2022. indemnity funds that were held in escrow. The sale of PWSC did not represent a strategic shift that would have a major effect on the Company's operations or financial results; therefore, PWSC is not presented within as a discontinued operations. operation.

See Note 5, "Disposal and Discontinued Operations," to the Consolidated Financial Statements, for further discussion of the PWSC disposal.

Gain on Extinguishment of Debt not Allocated to Segments

During 2021, 2023, gain on extinguishment of debt not allocated to segments consists of a $0.3 million gain (recorded in $31.6 million gain related to the first quarter repurchase of 2021) TruPs debt having a principal amount of $75.5 million. The gain on forgiveness extinguishment of debt results from removing the fair value of the debt, trust preferred debt repurchase options, deferred interest payable and accumulated other comprehensive income related to the repurchased TruPs from the Company's consolidated balance of sheet at the holding company's loan obtained through the PPP of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. repurchase date.
See Note 12, "Debt," to the Consolidated Financial Statements, for further discussion.

Income Tax (Benefit) Expense (Benefit)

Income tax expense benefit for 2022 2023 was $4.8 million $1.9 million compared to income tax benefit expense of $3.9 million $4.8 million in 2021. 2022. The 2022 2023 and 2021 2022 income tax (benefit) expense (benefit) is primarily related to:

- An income tax benefit of zero and an expense o of $1.0 million in 2023f $1.0 million and an income tax benefit $0.4 million in 2022 and 2021,, respectively, for the partial release of the Company's deferred income tax valuation allowance associated with business interest expense with an indefinite life;
- An income tax benefit of $2.1 million and $0.2 million in 2023 and 2022, respectively, for the partial release of the Company's deferred tax valuation allowance related to the acquired deferred tax liabilities and change in future income assumptions, and $4.1 million in 2021 for the partial release of the Company's deferred income tax valuation allowance related to its acquisitions of PWI and Ravix; respectively;
- An income tax expense of $0.2 million and $0.1 million and $0.2 million in 20222023 and 2021,2022, respectively, relating to a change in indefinite life deferred income tax liabilities; and
- An income tax expense benefit of less than $0.1 million and an expense of $3.9 million and $0.4 million in 20222023 and 2021,2022, respectively, for state income taxes.

See Note 15, "Income Taxes," to the Consolidated Financial Statements, for additional detail of the income tax benefit recorded (benefit) expense recorded for the years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively.

INVESTMENTS

Portfolio Composition

The following is an overview of how we account for our various investments:

- Investments in fixed maturities are classified as available-for-sale and are reported at fair value.
- Equity investments are reported at fair value.

- Limited liability investments are accounted for under the equity method of accounting. The most recently available financial statements of the limited liability investments are used in applying the equity method. The difference between the end of the reporting period of the limited liability investments and that of the Company is no more than three months.
- Limited liability investments, at fair value represent the underlying investments of the Company's consolidated entities Net Lease (December 31, 2022 only) and Argo Holdings. The difference between the end of the reporting period of the limited liability investments, at fair value and that of the Company is no more than three months.
- Investments in private companies consist of: convertible preferred stocks and notes in privately owned companies; and investments in limited liability companies in which the Company's interests are deemed minor. These investments do not have readily determinable fair values and, therefore, are reported at cost, adjusted for observable price changes and impairments.
- Real estate investments are reported at fair value, which consisted of Flowers.
- Other investments include collateral loans and are reported at their unpaid principal balance. balance, net of an allowance for credit losses.
- Short-term investments, which consist of investments with original maturities between three months and one year, are reported at cost, which approximates fair value.

At December 31, 2022 December 31, 2023, we held cash and cash equivalents, restricted cash and investments with a carrying value of $134.2 million $59.4 million. Our U.S. operations typically invest in U.S. dollar-denominated instruments to mitigate their exposure to currency rate fluctuations.

Table 2 below summarizes the carrying value of investments, including cash and cash equivalents and restricted cash, at the dates indicated.

TABLE 2 Carrying value of investments, including cash and cash equivalents and restricted cash
As of December 31 (in thousands of dollars, except for percentages)

Type of investment	2022	% of Total	2021	% of Total	2023	% of Total	2022	% of Total
Fixed maturities:								
U.S. government, government agencies and authorities	15,080	11.2 %	16,223	16.9 %	12,997	21.9 %	15,080	11.2 %
States, municipalities and political subdivisions	2,232	1.7 %	1,878	2.0 %	2,783	4.7 %	2,232	1.7 %
Mortgage-backed	8,412	6.3 %	7,629	8.0 %	9,253	15.6 %	8,412	6.3 %
Asset-backed	1,610	1.2%	445	0.5%	1,210	2.0%	1,610	1.2%
Corporate	10,257	7.6 %	9,491	9.9 %	10,230	17.2 %	10,257	7.6 %
Total fixed maturities	37,591	28.0 %	35,666	37.2 %	36,473	61.4 %	37,591	28.0 %
Equity investments:								
Common stock	153	0.1 %	171	0.2 %				
Warrants	—	— %	8	0.0 %				
Total equity investments	153	0.1 %	179	0.2 %				
Equity investments					79	0.1 %	153	0.1 %
Limited liability investments	983	0.7 %	1,901	2.0 %	812	1.4 %	983	0.7 %
Limited liability investments, at fair value	17,059	12.7 %	18,826	19.7 %	3,496	5.9 %	17,059	12.7 %
Investments in private companies	790	0.6 %	790	0.8 %	854	1.4 %	790	0.6 %
Real estate investments	—	— %	10,662	11.1 %				
Other investments	201	0.2 %	256	0.3 %	6	0.0 %	201	0.2 %
Short-term investments	157	0.1 %	157	0.2 %	161	0.3 %	157	0.1 %
Total investments	56,934	42.4 %	68,437	71.5 %	41,881	70.5 %	56,934	42.4 %
Cash and cash equivalents	64,168	47.9 %	10,084	10.5 %	9,098	15.4 %	64,168	47.9 %
Restricted cash	13,064	9.7 %	17,257	18.0 %	8,400	14.1 %	13,064	9.7 %
Total	134,166	100.0 %	95,778	100.0 %	59,379	100.0 %	134,166	100.0 %

Other-Than-Temporary Investment Impairment

The Company performs a quarterly analysis of its investments to determine if declines in market fair value are other-than-temporary. may result in the recognition of impairment losses in net income. Further information regarding our detailed analysis and factors considered in establishing an other-than-temporary impairment loss on an investment is discussed within the "Significant Accounting Policies and Critical Estimates" section of MD&A.

The Company's fixed maturities are subject to declines in fair value below amortized cost that may result in the recognition of impairment losses. Effective January 1, 2023, as a result of the adoption of ASU 2016-13, if the decline in fair value is due to credit factors and the Company does not expect to receive cash flows sufficient to support the entire amortized cost basis, the credit loss is reported in the consolidated statements of operations in the period that the declines are evaluated. As a result of the analysis performed, the Company recorded an impairment loss related to other investments of $0.2 million for the year ended December 31, 2023. There were no impairment losses recorded related to available-for-sale fixed maturity investments during the year ended December 31, 2023.

Prior to the adoption of ASU 2016-13, the Company performed a quarterly analysis of its available-for-sale fixed maturity investments and other investments to determine if declines in market value were other-than-temporary. As a result of the analysis performed, there were no write downs for other-than-temporary impairment related to fixed maturity investments and other investments for the year ended December 31, 2022.

The Company recorded impairment write-downs related to limited liability investments of $0.1 million and zero for the years ended December 31, 2023 and December 31, 2022, respectively, which are included in impairment losses in the consolidated statements of operations.

The Company recorded impairment losses related to limited liability investments, at fair value of $0.1 million and less than $0.1 million and $0.1 million for the years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively, which are included in gain (loss) gain on change in fair value of limited liability investments, at fair value in the consolidated statements of operations.

There were no write-downs recorded for other-than-temporary impairments related to available-for sale investments, limited liability investments, investments in private companies and other investments for the years ended December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022.

The length of time a fixed maturity investment may be held in an unrealized loss position may vary based on the opinion of the investment manager and their respective analyses related to valuation and to the various credit risks that may prevent us from recapturing the principal investment. In the case of a fixed maturity investment where the investment manager determines that there is little or no risk of default prior to the maturity of a holding, we would elect to hold the investment in an unrealized loss position until the price recovers or the investment matures. In situations where facts emerge that might increase the risk associated with recapture of principal, the Company may elect to sell a fixed maturity investment at a loss.

At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the gross unrealized losses for fixed maturities amounted to $2.5 1.7 million and $0.3 2.5 million, and there were no unrealized losses attributable to non-investment grade fixed maturities. At each of December 31, 2022 and December 31, 2021, all unrealized losses on individual investments were considered temporary.

KINGSWAY FINANCIAL SERVICES INC.
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DEBT

DEBT The principal and carrying value of the Company's debt instruments at December 31, 2023 and December 31, 2022 are as follows:

(in thousands)	December 31, 2023		December 31, 2022	
	Principal	Carrying Value	Principal	Carrying Value
Bank loans:				
2021 Ravix Loan	$ 4,650	$ 4,650	$ 5,300	$ 5,300
2022 Ravix Loan	4,925	4,769	5,950	5,754
SNS Loan	5,142	5,063	6,850	6,755
DDI Loan	5,600	5,534	—	—
2020 KWH Loan	10,979	10,806	16,708	16,472
Total bank loans	31,296	30,822	34,808	34,281
Subordinated debt	15,000	13,594	90,500	67,811
Total	$ 46,296	$ 44,416	$ 125,308	$ 102,092

See Note 12, " Debt," to the Consolidated Financial Statements for a detailed discussion of the Company's debt instruments. Changes related to the Company's debt during 2023 are further details to those provided described below.

Bank Loans

In 2019, the Company formed Kingsway Warranty Holdings LLC ("KWH"), whose subsidiaries at the time included IWS, Geminus and Trinity. As part of the acquisition of PWI on December 1, 2020, PWI became a wholly owned subsidiary of KWH, which borrowed a principal amount of $25.7 million from a bank to finance its acquisition of PWI and to fully repay the prior outstanding loan at KWH (the "2020 KWH Loan"). The 2020 KWH Loan had an annual interest rate equal to LIBOR, having a floor of 0.75%, plus 3.00%. During the second quarter of 2022, the 2020 KWH Loan was amended to change the annual interest rate to be equal to the Secured Overnight Financing Rate ("SOFR"), having a floor of 0.75%, plus spreads ranging from 2.62% to 3.12%. At December 31, 2022, the interest rate was 6.96%. The 2020 KWH Loan is carried in the consolidated balance sheets at its amortized cost, which reflects the pay-down of principal, as well as the amortization of the debt discount and issuance costs using the effective interest rate method. The 2020 KWH Loan matures on December 1, 2025.

The 2020 KWH Loan contains a number of covenants, including, but not limited to, a leverage ratio, a fixed charge ratio and limits on annual capital expenditures, all of which are as defined in and calculated pursuant to the 2020 KWH Loan that, among other things, restrict KWH's ability to incur additional indebtedness, create liens, make dividends and distributions, engage in mergers, acquisitions and consolidations, make certain payments and investments and dispose of certain assets.

On February 28, 2023, KWH entered into a second amendment to the 2020 KWH Loan (the "KWH DDTL") that provides for an additional delayed draw term loan in the principal amount of up to $10 million, with a maturity date of December 1, 2025. All or any portion of the KWH DDTL, subject to a $2 million minimum draw amount, may be requested at any time through February 27, 2024. The proceeds are evidenced by an intercompany loan and guarantee between KAI and KWH. Proceeds from certain assets dispositions, as defined, may be required to be used to repay outstanding draws under the DDTL. The principal amount shall be repaid in quarterly installments in an amount equal to 3.75% of the original amount of the drawn DDTL. The KWH DDTL also increases the senior cash flow leverage ratio maximum permissible for certain periods.

As part of the acquisition of Ravix DDI on October 1, 2021 October 26, 2023, Ravix DDI became a wholly owned subsidiary of Ravix DDI Acquisition, LLC ("Ravix DDI LLC"), and together they borrowed from a bank a principal amount of $6.0 million $5.6 million in the form of a term loan, and established a $1.0 million $0.4 million revolver to finance the acquisition of Ravix DDI (together, the "2021 Ravix"DDI Loan"). The 2021 Ravix DDI Loan has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 3.75% 5.00% (current rate of 8.00%9.00%). Monthly principal payments on the term loan begin on December 15, 2024. The revolver matures on September 1, 2024 and is carried in the consolidated balance sheets at its amortized cost, which reflects the monthly pay-down of principal as well as the amortization of the debt discount and issuance costs using the effective interest rate method. The term loan matures on October 1, 2027 October 26, 2029.

Subsequent

During 2023, the Company made additional principal payments with respect to the acquisition of CSuite on November 1, 2022 SNS Loan ($1.3 million), CSuite became a wholly owned subsidiary of Ravix LLC. As a result of the acquisition of CSuite, on November 16, 2022, the Ravix KWH Loan was amended to (1) include CSuite as a borrower; (2) borrow an additional principal amount of $6.0 million in the form of a supplemental term loan (the "2022 Ravix Loan"); and (3) amend the maturity date and interest rate of the $1.0 million revolver (the "2022 Revolver"). The 2022 Ravix Loan matures on November 16, 2028 and has an annual interest rate equal to the Prime Rate plus 0.75% (current rate of 8.25%) and is carried in the consolidated balance sheet at December 31, 2022 at its amortized cost, which reflects the monthly pay-down of principal. The 2022 Revolver matures on November 16, 2024 and has an annual interest rate equal to the Prime Rate plus 0.50%.

The 2021 Ravix Loan ($1.1 million) and 2022 Ravix Loan contain a number of covenants, including, but not limited to, a leverage ratio and a fixed charge ratio, all of which are as defined in and calculated pursuant to the 2021 Ravix Loan and 2022 Ravix Loan that, among other things, restrict Ravix and CSuite's ability to incur additional indebtedness, create liens, make dividends and distributions, engage in mergers, acquisitions and consolidations, make certain payments and investments and dispose of certain assets.

As part of the asset acquisition of SNS on November 18, 2022, the Company formed Secure Nursing Service LLC, who became a wholly owned subsidiary of Pegasus Acquirer Holdings LLC ("Pegasus LLC"), and together they borrowed from a bank a principal amount of $6.5 million in the form of a term loan, and established a $1.0 million revolver to finance the acquisition of SNS (together, the "SNS Loan") ($0.4 million). The SNS Loan has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 5.00% (current rate of 8.00%) and is carried in the consolidated balance sheet at December 31, 2022 at its amortized cost, which reflects the monthly amortization of the debt discount and issuance costs using the effective interest rate method. The term loan matures on November 18, 2028 and revolver matures on November 18, 2023.

The SNS Loan contains a number of covenants, including, but not limited to, a leverage ratio and a fixed charge ratio and limits on annual capital expenditures, all of which are as defined in and calculated pursuant to the SNS Loan that, among other things, restrict SNS's ability to incur additional indebtedness, create liens, make dividends and distributions, engage in mergers, acquisitions and consolidations, make certain payments and investments and dispose of certain assets.

Notes Payable

On January 5, 2015, Flower Portfolio 001, LLC assumed a $9.2 million mortgage in conjunction with the purchase of investment real estate properties ("the Flower Note"). The Flower Note was scheduled to mature on December 10, 2031 and had a fixed interest rate of 4.81%. On September 29, 2022, Flower sold its investment real estate properties and used a portion of the sales proceeds to repay the unpaid principal balance of the Flower Note. At December 31, 2021, the Flower Note is carried in the consolidated balance sheet at its unpaid principal balance.

In April 2020, certain subsidiaries of the Company received loan proceeds under the PPP, totaling $2.9 million with a stated annual interest rate of 1.00%. The PPP, established as part of the CARES Act and administered by the U.S. Small Business Administration (the "SBA"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll costs (as defined for purposes of the PPP) of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, costs, rent and utilities, during the twenty-four week period following the borrower's receipt of the loan and maintains its payroll levels and employee headcount. The amount of loan forgiveness will be reduced if the borrower reduces its employee headcount below its average employee headcount during a benchmark period or significantly reduces salaries for certain employees during the covered period.

The Company used the entire loan amount for qualifying expenses. The U.S. Department of the Treasury has announced that it will conduct audits for PPP loans that exceed $2.0 million. If we were to be audited and receive an adverse outcome in such an audit, we could be required to return the full amount of the PPP Loan and may potentially be subject to civil and criminal fines and penalties.

On December 21, 2020 the SBA approved the forgiveness of the full amount of one of the five PPP loans, which included principal and interest of $0.4 million. In January 2021 and March 2021, the SBA provided the Company with notices of forgiveness of the full amount of the remaining four loans. The forgiveness in During the first quarter of 2021 included total principal 2024, the Company borrowed $3.5 million under the KWH DDTL and interest of $2.5 million.

$0.5 million under the KWH Loan revolver.

Subordinated Debt

Between December 4, 2002 and December 16, 2003, six subsidiary trusts During 2022, the Company entered into repurchase agreements with certain holders of its subordinated trust preferred debt instruments ("TruPs") that gave the Company the option to repurchase up to 100% of the Company issued $90.5 million of 30-year capital securities to third parties holder's principal and deferred interest for a purchase price defined in separate private transactions. In each instance, a corresponding floating rate junior subordinated deferrable interest debenture was then issued by Kingsway America Inc. to the trust in exchange for contract ("the proceeds from the private sale. The floating rate debentures bear interest at the rate of LIBOR, plus spreads ranging from 3.85% to 4.20% TruPs Options"). The Company has paid $2.3 million to the right holder's for the TruPs Options. See Note 11, "Derivatives," to call each the Consolidated Financial Statements for a detailed discussion of these securities the TruPS Options.

On March 22, 2023, the Company completed the repurchases using currently available funds from working capital to fund the repurchases. The total amount paid was $56.5 million, which included a credit for the $2.3 million that the Company previously paid at par value any the time after five years from their issuance until their maturity. of entering into the repurchase agreements. As a result, the Company repurchased $75.5 million of principal and $23.0 million of deferred interest payable. The Company recognized a gain of $31.6 million, which is included in gain on extinguishment of debt in the consolidated statement of operations for the year ended December 31, 2023.

During the third quarter of 2018, the Company gave notice to its Trust Preferred trustees of its intention to exercise its voluntary right to defer interest payments for up to 20 quarters, pursuant to the contractual terms of its outstanding Trust Preferred indentures, which permit interest deferral. This action does not constitute a default under the Company's Trust Preferred indentures or any of its other debt indentures. In order to execute the repurchases described above, on March 13, 2023, the Company paid $5.0 million to the remaining Trust Preferred trustee to be used by the trustee to pay the interest which the Company had been deferring since the third quarter of 2018. At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, deferred interest payable of $25.5 zero and $25.5 million and $18.7 million, , respectively, is included in accrued expenses and other liabilities in the consolidated balance sheets.

On August 2, 2022, the Company entered into an agreement with a holder of four of the trust preferred debt instruments ("TruPs") that gives the Company the option to repurchase up to 100% of the holder's principal and deferred interest for a purchase price equal to 63% of the outstanding principal and deferred interest. Originally, the agreement called for a repurchase at 63%, which escalated to 63.75% once the September 26, 2022 agreement (described below) was signed. The Company has agreed that any repurchase made will be for no less than 50% of the TruPs held by the holder.

Until the earlier of (i) the date that all four of the preferred debt instruments have been repurchased and (ii) the nine month anniversary of the agreement ("May Termination Date"), all interest on the four preferred debt instruments will continue to accrue. However, with respect to TruPs that are repurchased prior to the May Termination Date, the amount of interest accrued during the term of the agreement will be treated as an offset and reduce the repurchase price for such TruPs. The Company will have no obligation to pay any such accrued interest with respect to any of the TruPs that are repurchased prior to the May Termination Date.

The Company paid approximately $2.0 million to the holder for this option and the Company has until the May Termination Date to execute the repurchases. If the Company repurchases less than $30.0 million of principal and deferred interest, or fails to purchase any principal or deferred interest within one year, then the $2.0 million paid is forfeited. If the Company repurchases an amount equal to or great than $30.0 million, then the $2.0 million paid would be applied to such repurchases.

On September 20, 2022, the Company entered into an additional agreement with the same party to the August 2, 2022 agreement that gives the Company the option to repurchase up to 100% of the holder's principal and deferred interest for 63.75% of the outstanding principal and deferred interest relating to a portion of a fifth TruPs held. The September 20, 2022 agreement is subject to the same terms and conditions as the August 2, 2022 and no additional consideration was paid.

On September 26, 2022, the Company entered into an agreement with a holder of a portion of one of the TruPs that gives the Company the option to repurchase up to 100% of the holder's principal and deferred interest for a purchase price equal to 63% of the outstanding principal and deferred interest.

Until the earlier of (i) the date that all of the preferred debt instrument has been repurchased and (ii) the May Termination Date, all interest on the preferred debt instrument will continue to accrue. However, with respect to TruPs that are repurchased prior to the May Termination Date, the amount of interest accrued during the term of the agreement will be treated as an offset and reduce the repurchase price for such TruPs. The Company will have no obligation to pay any such accrued interest with respect to the TruPs that are repurchased prior to the May Termination Date.

The Company paid approximately $0.3 million to the holder for this option and the Company has until the May Termination Date to execute the repurchase. If the Company fails to purchase any principal or deferred interest before the May Termination Date, then the $0.3 million paid is forfeited. If the Company repurchases any of the TruPs, then the $0.3 million paid would be applied to any repurchases.

The Company continues to accrue interest on all six of the TruPs.

In February 2023, the Company entered into amendments to the repurchase agreements described above that would give the Company an additional discount on the total repurchase price if the Company effected a 100% repurchase on or before March 15, 2023. On March 2, 2023, the Company gave notice to the holders that it intends to exercise its options to repurchase 100% of the principal no later than March 15, 2023. The total amount to be paid will be $56.5 million, which includes a credit for the $2.3 million that the Company previously paid at the time of entering into the repurchase agreements. As a result, the Company will have repurchased $75.5 million of principal and $21.2 million of deferred interest (valued as of December 31, 2022). The Company intends to use currently available funds from working capital to fund the repurchases.

In order to execute the repurchase, the Company will have to pay an estimated $4.7 million of deferred interest to the remaining trust preferred debt instrument for which the Company did not have the right to repurchase. After the repurchase is completed, the Company will continue to have $15 million of principal outstanding related to remaining trust preferred debt instrument.

The agreements governing our subordinated debt contain a number of covenants that, among other things, restrict the Company's ability to incur additional indebtedness, make dividends and distributions, and make certain payments in respect of the Company's outstanding securities. sheet.

The Company's subordinated debt is measured and reported at fair value. At December 31, 2022 December 31, 2023, the carrying value of the subordinated debt is $67.8 13.6 million. The fair value of the subordinated debt is calculated using a model based on significant market observable inputs and inputs developed by a third-party. For a description of the market observable inputs and inputs developed by a third-party used in determining fair value of debt, see Note 23, "Fair Value of Financial Instruments," to the Consolidated Financial Statements.

During the year ended December 31, 2022, the market observable swap rates changed, and the Company experienced a decrease in the credit spread assumption developed by the third-party. Changes in the market observable swap rates affect the fair value model in different ways. An increase in the LIBOR swap rates has the effect of increasing the fair value of the Company's subordinated debt while an increase in the risk-free swap rates has the effect of decreasing the fair value. The increase in the credit spread assumption has the effect of decreasing the fair value of the Company's subordinated debt while a decrease in the credit spread assumption has the effect of increasing the fair value. The other primary variable affecting the fair value of debt calculation is the passage of time, which will always have the effect of increasing the fair value of debt. The changes to the credit spread and swap rate variables during 2022, along with the passage of time, contributed to the $6.8 million increase in fair value of the Company's subordinated debt between December 31, 2021 and December 31, 2022.

Of the $6.8 million increase in fair value of the Company's subordinated debt between December 31, 2021 and December 31, 2022, $1.9 million is reported as an increase in fair value of debt attributable to instrument-specific credit risk in the Company's consolidated statements of comprehensive income (loss) and $4.9 million is reported as loss on change in fair value of debt in the Company's consolidated statements of operations.

Though changes in the market observable swap rates will continue to introduce some volatility each quarter to the Company's reported gain or loss on change in fair value of debt, changes in the credit spread assumption developed by the third party does not introduce volatility to the Company's consolidated statements of operations. The fair value of the Company's subordinated debt will eventually equal the principal value totaling $90.5 million, $15.0 million of the subordinated debt by the time of the stated redemption date of each the remaining trust, beginning with which matures on May 22, 2033.

KINGSWAY FINANCIAL SERVICES INC.
Management's Discussion and Analysis

The $54.2 million decrease in the trust maturing on December 4, 2032 Company's subordinated debt between December 31, 2022 and continuing through January 8, 2034 December 31, 2023, is attributed to the redemption date following:

- A decrease of $56.1 million as a result of the repurchase of trust preferred debt during the first quarter of 2023;
- A decrease of $0.3 million related to the change in fair value of the repurchased trust preferred debt instruments between December 31, 2022 and the repurchase dates; and
- An increase of $2.2 million related to the change in fair value of the remaining trust preferred debt instrument between December 31, 2022 and December 31, 2023.

Of the last $1.9 million increase in fair value of the Company's outstanding trusts. subordinated debt between December 31, 2022 and December 31, 2023, $1.8 million is reported as an increase in fair value of debt attributable to instrument-specific credit risk in the Company's consolidated statements of comprehensive (loss) income and $0.1 million is reported as loss on change in fair value of debt in the Company's consolidated statements of operations.

The consolidated statements of comprehensive (loss) income for the year ended December 31, 2023 also includes an increase of $27.2 million as a result of removing the accumulated other comprehensive income related to the repurchased TruPs from the Company's consolidated balance sheet at the repurchase date.

LIQUIDITY AND CAPITAL RESOURCES

The purpose of liquidity management is to ensure there is sufficient cash to meet all financial commitments and obligations as they fall due. The liquidity requirements of the Company and its subsidiaries have historically been met primarily by funds generated from operations, capital raising, disposal of subsidiaries, investment maturities and investment income, and other returns received on investments and from the sale of investments.

A significant portion of the cash provided by our Extended Warranty companies is required to be placed into restricted trust accounts, as determined by the insurers who back-up our service contracts, in order to fund future expected claims. On a periodic basis (quarterly or annually), we may be required to contribute more into the restricted accounts or we may be permitted to draw additional funds from the restricted accounts, dependent upon actuarial analyses performed by the insurers regarding sufficiency of funds to cover future expected claims. A substantial portion of the restricted trust accounts are invested in fixed maturities and other instruments that have durations similar to the expected future claim projections.

Cash provided from these sources is used primarily for warranty expenses, business service expenses, debt servicing, acquisitions and operating expenses of the holding company.

The Company's Extended Warranty and Kingsway Search Xcelerator subsidiaries fund their obligations primarily through service fee and commission revenue.

On October 18, 2018, the Company completed the previously announced sale of its non-standard automobile insurance companies Mendota Insurance Company, Mendakota Insurance Company and Mendakota Casualty Company (collectively "Mendota"). As part of the transaction, the Company will indemnify the buyer for any loss and loss adjustment expenses with respect to open claims in excess of Mendota's carried unpaid loss and loss adjustment expenses at June 30, 2018 related to the open claims. The maximum obligation to the Company with respect to the open claims was $2.5 million.

During the third quarter of 2022, the buyer provided to the Company an analysis of the claims development that indicated that the Company's potential exposure with respect to the open claims was at the maximum obligation amount. Previous communications from the buyer noted no such development. As a result of the newly provided information, the Company recorded a liability of $2.5 million, which is included in accrued expenses and other liabilities in the consolidated balance sheet at December 31, 2022 and loss on disposal of discontinued operations in the consolidated statement of operations for the year ended December 31, 2022. During the first quarter of 2023, the $2.0 million that had been previously deposited into an escrow account was released and remitted to the buyer to satisfy the Company's payment with respect to the open claims.

Cash Flows from Continuing Operations

During 2022 2023, the Company reported $2.6 26.8 million of net cash used in operating activities from continuing operations, primarily due to:

- Payment of deferred interest on the trust preferred debt instruments that were repurchased during the year ($16.1 million) and payment of deferred interest on the remaining trust preferred debt instrument ($5.0 million);
- Outflows related to the payment of management fees to the managers of Net Lease and Flowers ($1.8 million); and
- An indemnity payment to the buyer of Mendota related to loss and loss adjustment expenses ($2.0 million); all of which were partially offset by:
- Gain on equity investments; and
- Operating income from the Extended Warranty and Kingsway Search Xcelerator segments.

During 2022, the Company reported $2.6 million of net cash used in operating activities from continuing operations, primarily due to:

- The sale of PWSC, which generated cash flows of $1.8 million through the date of the sale in 2022, compared to $2.8 million for 2021; 2022;
- AA $0.4 million reduction in cash flows from the remaining Extended Warranty companies;
- Outflows at the holding company related to the TruPs repurchase option ($2.3 million); all of which were partially offset by;
- Continued cost containment initiatives at the holding company regarding ongoing expenses; and
- Increases in cash flows from the KSX companies, due to the inclusion of Ravix for the full twelve months in 2022 and the acquisitions of CSuite and SNS.

During 2021 2023, the Company reported $6.5 million of net cash provided by operating investing activities from continuing operations was $6.5 million. This source of cash was primarily due to cash inflows generated by the Extended Warranty segment (which includes PWI for 12 months in 2021) attributed to:

- Distributions received by Net Lease from one of its limited liability investment companies of $13.3 million;
- Proceeds from sales and maturities of fixed maturities and sales of equity securities in excess of purchases of fixed maturities; and
- The acquisitions of SPI and DDI in 2023, which totaled $13.6 million, net of cash acquired.

During 2022, the net cash provided by investing activities from continuing operations was $58.1 million. This source of cash was primarily attributed to:

- Net cash proceeds received, net of cash disposed of from the sale of PWSC, of $35.2 million;
- Net cash cash proceeds received from the sale of the CMC Real Property of $26.4 million;
- CCash ash proceeds received from the sale of real estate investments of $12.2 million;
- The acquisitions acquisitions of CSuite and SNS in 2022, which totaled $13.7 million, net of cash acquired; and
- Purchases of fixed maturities in excess of proceeds from limited liability investments and from sales and maturities of fixed maturities.

During 2021, 2023, the net cash used in investing financing activities from continuing operations was $9.0 39.4 million. This use of cash was million, primarily attributed to:

- Purchases The repurchase of fixed maturities in excess five of proceeds from sales and maturities of fixed maturities of $15.6 million the TruPs for 40.3 million;
- The acquisitions Principal repayments on bank loans of Ravix and RoeCo in 2021, which totaled $12.6 million, net of cash acquired; $9.1 million;
- Distributions received (reducing the use to noncontrolling interest holders of cash) by Net Lease from two of its limited liability investment companies of $16.3 million $4.0 million; and
- Cash paid for repurchase of warrants of $4.0 million and common stock of $3.2 milion, partially offset by
- Proceeds received from the exercise of warrants (reducing the use of cash) of $16.7 million and net proceeds from bank loans of $5.5 million related to the Company's limited liability investments. DDI Loan.

During 2022, the net cash used in financing activities from continuing operations was $5.6 million, primarily primarily attributed to:

- Principal repayments: on bank loans of $5.2 million, notes payable of $6.4 million, which relates to the repayment of the Flower Note;
- Distributions to noncontrolling interest holders of $6.0 million; and
- Net proceeds (reducing the use of cash) from bank loans of $12.7 million related to the 2022 Ravix Loan and the SNS Loan, and proceeds from the exercise of warrants of $0.5 million.

During 2021, the net cash used in financing activities from continuing operations was $9.3 million, primarily attributed to:

- Principal repayments: on bank loans of $4.9 million, notes payable of $9.5 million, of which $9.0 million relates to the repayment of Net Lease's $9.0 million mezzanine loan and $0.5 million relating to principal paydowns on the Flower Note;
- Distributions to noncontrolling interest holders of $2.4 million; and
- Net proceeds (reducing the use of cash) from bank loans of $6.2 million related to the Ravix Loan and proceeds from the exercise of warrants of $1.8 million.

Holding Company Liquidity

The liquidity of the holding company is managed separately from its subsidiaries. The obligations of the holding company primarily consist of holding company operating expenses; transaction-related expenses; investments; stock repurchases; and any other extraordinary demands on the holding company.

Pursuant to satisfying the covenants under the 2020 KWH Loan, distributions to the holding company in an aggregate amount not to exceed $1.5 million in any 12-month period are permitted. Also, beginning in 2022, the holding company is permitted to receive a portion of the excess cash flow (as defined in the 2020 KWH Loan document) generated by the KWH Subs subsidiaries in the previous year. In 2022, the Company was entitled to 50% of the excess cash flow with the other 50% used to pay down the 2020 KWH Loan. During 2022, the Company received $1.7 million and in March 2022 paid down the KWH 2020 Loan by $1.7 million. In 2023, the Company was entitled to 75% of the 2022 excess cash flow, or $3.3 million. During the first quarter of 2023, the Company paid down the KWH 2020 Loan by $1.1 million.

The amount of excess cash flow which the Company is entitled to retain is dependent upon the leverage ratio (as defined in the 2020 KWH Loan document):

If leverage ratio is	Percent of excess cash flow retained by the Company
Greater than 1.75:1.00	50%
Less than 1.75:1.00 but greater than 0.75:1.00	75%
Less than 0.75:1.0	100%

The Company anticipates that in 2023 it will be entitled to receive 75% of the 2022 excess cash flow.

On October 1, 2021, the Company closed on the acquisition of Ravix. Related to the Ravix acquisition, the Company secured the 2021 Ravix Loan with Ravix and Ravix LLC as borrowers under the 2021 Ravix Loan. On November 1, 2022, the Company closed on the acquisition of CSuite. Related to the CSuite acquisition, the Company secured the 2022 Ravix Loan with CSuite, Ravix and Ravix LLC as borrowers under the 2022 Ravix Loan. Pursuant to the covenants under the 2021 Ravix Loan and the 2022 Ravix Loan, Ravix and CSuite are permitted to make distributions to the holding company so long as doing such would not cause non-compliance with the various covenants outlined within the 2021 Ravix Loan and 2022 Ravix Loan.

On November 18, 2022, the Company closed on the acquisition of SNS. Related to the SNS acquisition, the Company secured the SNS Loan with SNS and Pegasus LLC as borrowers under the SNS Loan. Pursuant to the covenants under the SNS Loan, SNS is not permitted to make distributions to the holding company without the consent of the lender.

On October 18, 2018, the Company completed the previously announced sale of its non-standard automobile insurance companies Mendota Insurance Company, Mendakota Insurance Company and Mendakota Casualty Company (collectively "Mendota"). As part of the transaction, the Company will indemnify the buyer for any loss and loss adjustment expenses with respect to open claims in excess of Mendota's carried unpaid loss and loss adjustment expenses at June 30, 2018 related to the open claims. The maximum obligation to the Company with respect to the open claims is $2.5 million. Per the purchase agreement, a security interest on the Company’s equity interest in its consolidated subsidiary, Net Lease, as well as any distributions to the Company from Net Lease, was to be collateral for the Company’s payment of obligations with respect to the open claims.

During the third quarter of 2021, the purchasers of Mendota and the Company agreed to release the Company's equity interest in Net Lease as collateral and allow Net Lease to make distributions to the Company. In exchange, the Company agreed to deposit $2.0 million into an escrow account and advance $0.5 million to the purchaser of Mendota to satisfy the Company's payment obligation with respect to the open claims.

During the third quarter of 2022, the buyer provided to the Company an analysis of the claims development that indicated that the Company's potential exposure with respect to the open claims was at the maximum obligation amount. Previous communications from the buyer noted no such development. As a result of the newly provided information, the Company recorded a liability of $2.5 million during the third quarter of 2022, which is included in accrued expenses and other liabilities in the consolidated balance sheet at December 31, 2022 and loss on disposal of discontinued operations in the consolidated statement of operations for the year ended December 31, 2022. There were no payments made by the Company related to the open claims during the years ended December 31, 2022 and December 31, 2021. During the first quarter of 2023, the $2.0 million that had been previously deposited into an escrow account was released and remitted to the buyer to satisfy the Company's payment with respect to the open claims.

The holding company's liquidity, defined as the amount of cash in the bank accounts of Kingsway Financial Services Inc. and Kingsway America Inc., was $48.9 $4.3 million and $2.2 $48.9 million at December 31, 2022 2023 and December 31, 2021 December 31, 2022, respectively, which excludes future actions available to the holding company that could be taken to generate liquidity. Such future actions include, but are not limited to, distributions from the Extended Warranty and Kingsway Search Xcelerator operating companies subject to certain loan covenants that may be in place at each operating company.

The holding company cash amounts are reflected in the cash and cash equivalents of $64.2 9.1 million and $10.1 64.2 million reported at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, respectively, on the Company's consolidated balance sheets. The significant increase decrease between December 31, 2022 and December 31, 2023 is primarily due to the sale of PWSC and the sale repurchase of the CMC railyard trust preferred debt during the first quarter of 2023, as well as the acquisitions of SPI and DDI in 2022.

In addition to its collections from subsidiaries September 2023 and holding company expenditures, the Company anticipates the following cash inflows and outflows over the next twelve months: October 2023, respectively.

- Inflows:
  - Distributions from Net Lease of $8.3 million, from the sale of the last commercial real estate property in February 2023
  - $3.7 million from the exercise of 0.7 million warrants from January 1 through February 28, 2023
  - $1.5 million distribution from Amigo, given that as of early March 2023 it was no longer a regulated insurance company
- Outflows:
  - $56.5 million to repurchase the trust preferred debt instruments (aka subordinate debt) for which it has the option to repurchase, which outflow is expected no later than March 15, 2023 (see Note 11, "Derivatives," and Note 26, "Subsequent Events," to the Consolidated Financial Statements)
  - $4.7 million of deferred interest to the remaining trust preferred debt instrument for which the Company did not have the right to repurchase (see Note 26 , " Subsequent Events ," to the Consolidated Financial Statements); the Company would have the ability to defer interest payments for up to 20 quarters on the remaining trust preferred debt instrument, if it so elected
  - $6.1 million required to redeem the Class A Preferred Shares; however, based on discussions with the holders of the Class A Preferred Shares, the Company anticipates that 100% of the Class A Preferred Shares would be converted and, in that case, there would be no cash outlay by the Company (see Note 19 , " Redeemable Class A Preferred Stock ," and Note 26 , " Subsequent Events ," to the Consolidated Financial Statements)

The Company notes there are outstanding warrants that expire in September 2023 (see Note 20 , " Shareholders' Equity ," to the Consolidated Financial Statements) and, if all outstanding warrants were exercised, the Company would receive an additional $18.7 million. The Company also notes that, as of the filing date, it has an additional $10 million $6.5 million available from the second amendment to the 2020 KWH Loan (see Note 12 , " Debt ," and Note 26 , " Subsequent Events ," to the Consolidated Financial Statements), that is available to be drawn.

Based on the Company's current business plan and revenue prospects, existing cash, cash equivalents, investment balances and anticipated cash flows from operations are expected to be sufficient to meet the Company's working capital and operating expenditure requirements, including the cash that may be required to redeem the Preferred Shares, repurchase its trust preferred securities and pay deferred interest on its trust preferred securities, for the next twelve months. However, the Company's assessment could also be affected by various risks and uncertainties, including, but not limited to, the developing macro-economic environment.

Regulatory Capital

Kingsway Reinsurance Corporation ("Kingsway Re"), our reinsurance subsidiary domiciled in Barbados, is required by the regulator in Barbados to maintain minimum statutory capital of $125,000. Kingsway Re is currently operating with statutory capital near the regulatory minimum, requiring us to periodically contribute capital to fund operating expenses. Kingsway Re incurs operating expenses of approximately $0.1 million per year. As of December 31, 2022 December 31, 2023, the capital maintained by Kingsway Re was in excess of the regulatory capital requirements in Barbados.

CONTRACTUAL OBLIGATIONS

Table 3 summarizes cash disbursements related to the Company's contractual obligations projected by period, including debt maturities, interest payments on outstanding debt and future minimum payments under operating leases. Interest payments on outstanding debt in Table 3 related to the subordinated debt, the 2020 KWH Loan, the 2021 Ravix Loan, the 2022 Ravix Loan, the SNS Loan and the SNS DDI Loan assume the variable rates remain constant throughout the projection period. Also, interest Future minimum lease payments in Table 3 include payments on outstanding debt reflect leases for office space that are included in total lease liabilities in Note 13," Leases," to the interest deferral described in the "Subordinated Debt" section above. Consolidated Financial Statements, as well as payments for short-term leases, equipment leases and a lease with an effective date of January 1 2024.

TABLE 3 Cash payments related to contractual obligations projected by period

As of December 31, 2022 December 31, 2023 (in thousands of dollars)

	2023	2024	2025	2026	2027	Thereafter	Total
Bank loans	5,413	6,580	12,723	3,750	3,775	2,567	34,808
Subordinated debt	—	—	—	—	—	90,500	90,500
Interest payments on outstanding debt	36,451	10,461	9,859	9,162	8,832	41,189	115,954
Future minimum lease payments	472	356	191	124	59	61	1,263
Total	42,336	17,397	22,773	13,036	12,666	134,317	242,525

Table 3 above does not assume that the Company has repurchased any of its TruPs subordinated debt on or before March 15, 2023, as discussed in the “Debt” section above, given the table presents information as of December 31, 2022. Refer to Note 11, "Derivatives," to the Consolidated Financial Statements for further information regarding the trust preferred debt repurchase option agreements.

While the Company gave notice on March 1, 2023 of its intent to redeem the Preferred Shares on March 15, 2023, Table 3 above does not reflect the $6.1 million that may be paid for the redemption. See "Holding Company Liquidity" above for further discussion. Refer to Note 19, "Redeemable Class A Preferred Stock," to the Consolidated Financial Statements for further information regarding the Preferred Shares.

	2024	2025	2026	2027	2028	Thereafter	Total
Bank loans	6,673	11,819	4,870	4,837	2,070	1,027	31,296
Subordinated debt	—	—	—	—	—	15,000	15,000
Interest payments on outstanding debt	4,065	3,388	2,380	2,038	1,721	6,821	20,413
Future minimum lease payments	647	449	340	257	172	47	1,912
Total	11,385	15,656	7,590	7,132	3,963	22,895	68,621

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act; therefore, pursuant to Regulation S-K, we are not required to make disclosures under this Item.

Item 8. Financial Statements and Supplementary Data.

Index to the Consolidated Financial Statements of

Kingsway Financial Services Inc.

KINGSWAY FINANCIAL SERVICES INC.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Kingsway Financial Services, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Kingsway Financial Services, Inc. (the “Company”) as of December 31, 2022 December 31, 2023 and December 31, 2021, 2022, the related statements of operations, comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2022 December 31, 2023, and the related notes and schedule schedules (collectively referred to as the “financial statements”). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and December 31, 2021, 2022, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2022 December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical AuditAudit Matters Matter

The critical audit matters matter communicated below are matters is a matter arising from the current period audit of the financial statements that were was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters matter below, providing a separate opinion on the critical audit matters matter or on the accounts or disclosures to which it relates. relate.

Revenue Recognition– Extended Warranty Segment – Refer to Note 2 and Note 14 to the financial statements

Critical Audit Matter Description

The Company's revenue from contracts with customers (ASC 606) relates to includes extended warranty service fee and commission income, which is comprised of multiple revenue streams including: vehicle service agreement fees, guaranteed asset protection commissions, maintenance support service fees, and warranty product commissions, homebuilder warranty service fees, and homebuilder warranty commissions. Many of the Company's contracts include revenue which is generated from contracts with multiple performance obligations. Accordingly, the application of revenue recognition policies for the extended warranty segment requires the Company to exercise significant judgement in the following areas:

- Determination of whether individual services are promises which are considered distinct performance obligations.
- Assessing whether the Company is a principal or an agent in providing services to the ultimate customer in the contract.
- Assessing variable consideration attributable to each contract and the related estimates of variable consideration, which are significant in vehicle service contracts, based on refund rights provided to the customer under vehicle service contracts and related business practices.
- Assessing the transaction price including the impact of various dealer and partner incentive and rebate programs which are considered contract acquisition costs.
- Determining stand-alone selling prices for each distinct service and allocation to each individual performance obligation on a relative selling price basis.
- Determining the timing of when revenue is recognized for separate performance obligations and whether the performance is deemed to occur over time or at a point in time.
- For performance obligations satisfied over time, the selection of an appropriate methodology which best depicts the transfer of services to the customer under the contract.

For these reasons, we identified revenue recognition for the extended warranty segment as a critical audit matter.

How the Critical Audit Matter was Addressed in the Audit

The primary procedures we performed to address this critical audit matter included the following, among other procedures:

- We obtained an understanding of the processes and internal controls related to each significant revenue generating activity within scope of ASC 606.
- We evaluated the Company's application of the portfolio approach to individual groups of contracts to ensure the application was in compliance with ASC 606.
- We tested the determination of individual performance obligations identified by management to ensure distinct performance obligations identified were consistent with the underlying contracts. We also tested whether all distinct performance obligations within each contract were complete and reflected all material promises which are capable of being distinct.
- We evaluated and tested the key judgements applied by management, including:

- o Assessing whether the Company is deemed to be the principal or an agent in delivering services to the customer. We evaluated the key factors to determine whether the Company is responsible for fulfillment of each significant service provided to the customer.
- o Estimating variable consideration, primarily related to refund liabilities on vehicle service contracts, based on historical patterns and future expectations of customer refund requests. We tested the estimated amount of expected refunds including management's assessment of refund rates on each significant type of warranty contract to assess the overall reasonableness of the refund liabilities.
- o Determining whether certain incentive payments to dealers and partners were considered customer acquisition costs and should be included in the determination of the overall transaction price by examining the underlying program agreements and related business practices followed by the Company.
- o Estimating stand-alone selling prices when multiple performance obligations exist within a contract, based on management's internal estimates of cost plus an appropriate margin to support expected selling prices. We tested the related costs expected to be incurred in satisfying the delivery of services at contract commencement and those expected to be incurred over the life of the contract which are primarily associated with contract administration services. We also tested the relative selling price allocation of the contract price to each separate performance obligation.
- o Application of over time recognition patterns, including management's estimates related to claims emergence patterns for each separate group of contracts which possess similar characteristics that faithfully represent the transfer of services to the customer. We tested contracts at the warranty company subsidiaries to determine the accuracy and consistency of claim emergence patterns.

Trust Preferred Debt Repurchase Options– ***Refer to Note 2 and Note 11 to the financial statements***

Critical Audit Matter Description

The Company entered into agreements with multiple holders of trust preferred debt instruments that gives the Company the option to repurchase 100% of the holder's principal and deferred interest at agreed upon prices. These agreements constitute derivative financial instruments are carried at fair value and are required to be revalued each reporting period, with corresponding changes in fair value recorded in the consolidated statements of operations.

The fair value of the Trust Preferred Repurchase Options contracts are estimated using the binomial lattice model. Key inputs in the valuation include credit spread assumptions, interest rate volatility, debt coupon interest rate and time to maturity which in their entirety fall under level 3 in the fair value hierarchy. Significant judgment is required, as the transaction(s) are based upon a hypothetical market and the initial deposit consideration paid by the Company does not reflect fair value as the deposit consideration was not based on the most advantageous market from a market participant assumption basis.

For these reasons, we identified the derivative option contracts as a critical audit matter.

How the Critical Audit Matter Was Addressed in the Audit

The primary procedures we performed to address this critical audit matter included the following, among other procedures:

- We evaluated the Company's application of the accounting for derivatives to ensure the application was in compliance with ASC 815.
- We confirmed the terms of the trust preferred debt repurchase options directly with debt holders.
- We evaluated the business purpose of the transactions for reasonableness.
- We reviewed and tested the methodologies and key assumptions in the valuation analysis provided by management using our internal valuation specialists. In performing these procedures, we considered the following:
  - o Completeness and accuracy of underlying data provided by management
  - o The nature and basis for valuation adjustments and calculations used by management's valuation specialists
  - o Reasonableness of the valuation methods and assumptions used by management's valuation specialists in the analysis
  - o The sensitivity of significant inputs to the valuation model and their impact on management's conclusions.
  - o The probabilities of certain outcomes as selected by management
- We tested key inputs to the valuation model, including checking calculations of significant inputs to the valuation model.
- We considered the sensitivity of key assumptions and performed sensitivity analysis around the key assumptions in evaluating their reasonableness.

/s/ Plante & Moran PLLC

We have served as the Company's auditor since 2020.

Denver, CO

March 8, 2023 5, 2024

KINGSWAY FINANCIAL SERVICES INC.

Consolidated Balance Sheets

(in thousands, except share data)

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Assets				
Investments:				
Fixed maturities, at fair value (amortized cost of $40,127 and $35,889, respectively)	$ 37,591	$ 35,666		
Equity investments, at fair value (cost of $187 and $1,147, respectively)	153	179		
Fixed maturities, at fair value (amortized cost of $38,107 and $40,127, respectively)			$ 36,473	$ 37,591
Equity investments, at fair value (cost of $73 and $187, respectively)			79	153
Limited liability investments	983	1,901	812	983
Limited liability investments, at fair value	17,059	18,826	3,496	17,059
Investments in private companies, at adjusted cost	790	790	854	790
Real estate investments, at fair value (cost of $0 and $10,225, respectively)	—	10,662		
Other investments, at cost which approximates fair value	201	256		
Other investments, at cost which approximates fair value (net of allowance of $179 and zero, respectively)			6	201
Short-term investments, at cost which approximates fair value	157	157	161	157
Total investments	56,934	68,437	41,881	56,934
Cash and cash equivalents	64,168	10,084	9,098	64,168
Restricted cash	13,064	17,257	8,400	13,064
Accrued investment income	1,195	1,013	914	1,195
Service fee receivable, net of allowance for doubtful accounts of $147 and $241, respectively	10,304	6,656		
Other receivables, net of allowance for doubtful accounts of $8 and $5, respectively	3,720	4,032		
Service fee receivable, net of allowance for credit losses of $243 and $147, respectively			10,083	10,304
Other receivables, net of allowance of $5 and $8, respectively			726	3,720
Deferred contract costs	13,257	10,930	13,734	13,257
Property and equipment, net of accumulated depreciation of $1,041 and $2,235, respectively	773	1,101		
Income taxes receivable			1,299	—
Property and equipment, net of accumulated depreciation of $1,158 and $1,041, respectively			1,850	773
Right-of-use asset	911	2,248	886	911
Goodwill	45,498	49,264	50,358	45,498
Intangible assets, net of accumulated amortization of $22,228 and $19,990, respectively	33,099	30,833		
Intangible assets, net of accumulated amortization of $28,137 and $22,228, respectively			35,670	33,099
Other assets	23,249	4,394	5,066	23,249
Assets held for sale	19,478	19,913	17,752	19,478
Assets of discontinued operations	—	249,472		
Total Assets	$ 285,650	$ 475,634	$ 197,717	$ 285,650
Liabilities and Shareholders' Equity				
Liabilities:				
Accrued expenses and other liabilities	$ 55,801	$ 44,974	$ 22,342	$ 55,801
Income taxes payable	945	294	—	945
Deferred service fees	82,713	89,217	83,995	82,713
Bank loans	34,281	26,717	30,822	34,281
Notes payable	—	6,411		
Subordinated debt, at fair value	67,811	60,973	13,594	67,811
Lease liability	1,217	2,479	1,198	1,217
Net deferred income tax liabilities	4,176	28,553	5,041	4,176
Liabilities held for sale	16,585	17,035	16,114	16,585
Liabilities of discontinued operations	—	184,227		
Total Liabilities	263,529	460,880	173,106	263,529
Redeemable Class A preferred stock, no par value; 1,000,000 authorized; 149,733 and 169,733 issued and outstanding at December 31, 2022 and December 31, 2021, respectively; redemption amount of $6,013 and $6,497 at December 31, 2022 and December 31, 2021, respectively	6,013	6,497		

Redeemable Class A preferred stock, no par value; 1,000,000 authorized; zero and 149,733 issued and outstanding at December 31, 2023 and December 31, 2022, respectively; redemption amount of zero and $6,013 at December 31, 2023 and December 31, 2022, respectively			—	6,013
Shareholders' Equity:				
Common stock, no par value; 50,000,000 authorized; 23,437,530 and 23,130,064 issued at December 31, 2022 and December 31, 2021, respectively; and 23,190,080 and 22,882,614 outstanding at December 31, 2022 and December 31, 2021, respectively	—	—		
Common stock, no par value; 50,000,000 authorized; 27,771,790 and 23,437,530 issued at December 31, 2023 and December 31, 2022, respectively; and 27,101,613 and 23,190,080 outstanding at December 31, 2023 and December 31, 2022, respectively			—	—
Additional paid-in capital	359,985	359,138	379,813	359,985
Treasury stock, at cost; 247,450 and 247,450 outstanding at December 31, 2022 and December 31, 2021, respectively	(492)	(492)		
Treasury stock, at cost; 670,177 and 247,450 outstanding at December 31, 2023 and December 31, 2022, respectively			(3,696)	(492)
Accumulated deficit	(370,427)	(395,149)	(346,868)	(370,427)
Accumulated other comprehensive income	26,605	30,779		
Accumulated other comprehensive (loss) income			(1,540)	26,605
Shareholders' equity attributable to common shareholders	15,671	(5,724)	27,709	15,671
Noncontrolling interests in consolidated subsidiaries	437	13,981	(3,098)	437
Total Shareholders' Equity	16,108	8,257	24,611	16,108
Total Liabilities, Class A preferred stock and Shareholders' Equity	$ 285,650	$ 475,634	$ 197,717	$ 285,650

See accompanying notes to Consolidated Financial Statements.

KINGSWAY FINANCIAL SERVICES INC.

Consolidated Statements of Operations

(in thousands, except per share data)

	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Revenues:				
Service fee and commission revenue	$ 93,280	$ 78,401	$ 103,244	$ 93,280
Total revenues	93,280	78,401	103,244	93,280
Operating expenses:				
Claims authorized on vehicle service agreements	20,895	19,536	23,066	20,895
Commissions	8,358	7,042	10,208	8,358
Cost of services sold	18,673	7,052	27,211	18,673
General and administrative expenses	43,519	45,245	41,805	43,519
Disposal of subsidiary transaction expenses	5,408	—	—	5,408
Total operating expenses	96,853	78,875	102,290	96,853
Operating loss	(3,573)	(474)		
Operating income (loss)			954	(3,573)
Other revenues (expenses), net:				
Net investment income	2,305	1,575	1,804	2,305
Net realized gains	1,209	1,809	761	1,209
Loss on change in fair value of equity investments	(26)	(242)		
(Loss) gain on change in fair value of limited liability investments, at fair value	(1,754)	2,391		
Net gain (loss) on equity investments			3,397	(26)

Gain (loss) on change in fair value of limited liability investments, at fair value			78	(1,754)
Net change in unrealized gain on private company investments			63	—
Gain on change in fair value of real estate investments	1,488	—	—	1,488
Gain on change in fair value of derivative asset option contracts	16,730	—		
Non-operating other (expense) revenue	(206)	16		
Impairment losses			(229)	—
(Loss) gain on change in fair value of derivative asset option contracts			(1,366)	16,730
Non-operating other expense			(1,542)	(206)
Interest expense	(8,092)	(6,161)	(6,250)	(8,092)
Amortization of intangible assets	(6,133)	(4,837)	(5,909)	(6,133)
Loss on change in fair value of debt	(4,908)	(3,201)	(68)	(4,908)
Gain on disposal of subsidiary	37,917	—	342	37,917
Gain on extinguishment of debt	—	2,494	31,616	—
Total other revenue (expenses), net	38,530	(6,156)		
Income (loss) from continuing operations before income tax expense (benefit)	34,957	(6,630)		
Income tax expense (benefit)	4,825	(3,916)		
Income (loss) from continuing operations	30,132	(2,714)		
(Loss) income from discontinued operations, net of taxes	(12,805)	4,574		
Total other revenue, net			22,697	38,530
Income from continuing operations before income tax (benefit) expense			23,651	34,957
Income tax (benefit) expense			(1,899)	4,825
Income from continuing operations			25,550	30,132
Income (loss) from discontinued operations, net of taxes			450	(12,805)
Loss on disposal of discontinued operations, net of taxes	(2,262)	—	(1,988)	(2,262)
Net income	15,065	1,860	24,012	15,065
Less: Net (loss) income from continuing operations attributable to noncontrolling interests in consolidated subsidiaries	(1,471)	1,660		
Less: Net (loss) income from discontinued operations attributable to noncontrolling interests in consolidated subsidiaries	(8,186)	542		
Less: Net income (loss) from continuing operations attributable to noncontrolling interests in consolidated subsidiaries			453	(1,471)
Less: Net loss from discontinued operations attributable to noncontrolling interests in consolidated subsidiaries			—	(8,186)
Less: Dividends on preferred stock	306	494	74	306
Net income (loss) attributable to common shareholders	$ 24,416	$ (836)		
Net income attributable to common shareholders			$ 23,485	$ 24,416
Net income (loss) from continuing operations attributable to common shareholders	$ 31,297	$ (4,868)		
Net (loss) income from discontinued operations attributable to common shareholders	(6,881)	4,032		
Net income (loss) attributable to common shareholders	$ 24,416	$ (836)		
Net income from continuing operations attributable to common shareholders			$ 25,023	$ 31,297
Net loss from discontinued operations attributable to common shareholders			(1,538)	(6,881)
Net income attributable to common shareholders			$ 23,485	$ 24,416
Basic earnings (loss) per share attributable to common shareholders:				
Continuing operations	$ 1.36	$ (0.22)	$ 0.97	$ 1.36
Discontinued operations	$ (0.30)	$ 0.18	$ (0.06)	$ (0.30)
Basic earnings (loss) per share - net income (loss) attributable to common shareholders	$ 1.06	$ (0.04)		
Basic earnings per share - net income attributable to common shareholders			$ 0.91	$ 1.06
Diluted earnings (loss) per share attributable to common shareholders:				
Continuing operations	$ 1.25	$ (0.22)	$ 0.95	$ 1.25
Discontinued operations	$ (0.27)	$ 0.18	$ (0.06)	$ (0.27)
Diluted earnings (loss) per share - net income (loss) attributable to common shareholders	$ 0.98	$ (0.04)		

Diluted earnings per share - net income attributable to common shareholders			$ 0.89	$ 0.98
Weighted average shares outstanding (in '000s):				
Basic:	22,961	22,537	25,713	22,961
Diluted:	25,304	22,537	26,448	25,304

See accompanying notes to Consolidated Financial Statements.

KINGSWAY FINANCIAL SERVICES INC.

Consolidated Statements of Comprehensive (Loss) Income (Loss)

(in thousands)

	Years ended December 31,	
	2022	2021
Net income	$ 15,065	$ 1,860
Other comprehensive loss, net of taxes(1):		
Unrealized (losses) gains on available-for-sale investments:		
Unrealized losses arising during the period	(2,330)	(478)
Reclassification adjustment for amounts included in net income	22	27
Change in fair value of debt attributable to instrument-specific credit risk	(1,930)	(6,844)
Other comprehensive loss	(4,238)	(7,295)
Comprehensive income (loss)	$ 10,827	$ (5,435)
Less: comprehensive (loss) income attributable to noncontrolling interests in consolidated subsidiaries	(9,721)	2,187
Comprehensive income (loss) attributable to common shareholders	$ 20,548	$ (7,622)

	Years ended December 31,	
	2023	2022
Net income	$ 24,012	$ 15,065
Other comprehensive loss, net of taxes(1):		
Unrealized gains (losses) on available-for-sale investments:		
Unrealized gains (losses) arising during the period	1,095	(2,330)
Reclassification adjustment for amounts included in net income	(197)	22
Change in fair value of debt attributable to instrument-specific credit risk:		
Unrealized losses arising during the period	(1,836)	(1,930)
Reclassification adjustment for amounts included in net income	(27,177)	—
Other comprehensive loss, net of taxes(1)	(28,115)	(4,238)
Comprehensive (loss) income	$ (4,103)	$ 10,827
Less: comprehensive income (loss) attributable to noncontrolling interests in consolidated subsidiaries	483	(9,721)
Comprehensive (loss) income attributable to common shareholders	$ (4,586)	$ 20,548

(1) Net of income tax (benefit) expense (benefit) of $0 and $0 in 2022 2023 and 2021, 2022, respectively

See accompanying notes to Consolidated Financial Statements.

KINGSWAY FINANCIAL SERVICES INC.

Consolidated Statements of Shareholders' Equity

(in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity Attributable to Common Shareholders	Noncontrolling Interests in Consolidated Subsidiaries	Total Shareholders' Equity	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumula Other Compreher Income (L
Balance, December 31, 2020	22,211,069	$ —	$ 355,242	$ (492)	$ (394,807)	$ 38,059	(1,998)	$ 14,157	$ 12,159						
Vesting of restricted stock awards, net of share settlements for tax withholdings	239,402	—	—	—	—	—	—	—	—						
Conversion of redeemable Class A preferred stock to common stock	82,143	—	500	—	—	—	500	—	500						
Exercise of Series B warrants	350,000	—	1,750	—	—	—	1,750	—	1,750						
Net (loss) income	—	—	—	—	(342)	—	(342)	2,202	1,860						
Preferred stock dividends	—	—	(494)	—	—	—	(494)	—	(494)						
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(2,363)	(2,363)						
Other comprehensive loss	—	—	—	—	—	(7,280)	(7,280)	(15)	(7,295)						
Stock-based compensation	—	—	2,140	—	—	—	2,140	—	2,140						
Balance, December 31, 2021	22,882,614	$ —	$ 359,138	$ (492)	$ (395,149)	$ 30,779	(5,724)	$ 13,981	$ 8,257	22,882,614	$ —	$ 359,138	$ (492)	$ (395,149)	$ 30
Vesting of restricted stock awards, net of share settlements for tax withholdings	73,437	—	—	—	—	—	—	—	—	73,437	—	—	—	—	

Conversion of redeemable Class A preferred stock to common stock	125,000	—	788	—	—	—	788	—	788	125,000	—	788	—	—	
Exercise of Series B warrants	109,029	—	545	—	—	—	545	—	545	109,029	—	545	—	—	
Net income (loss)	—	—	—	—	24,722	—	24,722	(9,657)	15,065	—	—	—	—	24,722	
Preferred stock dividends	—	—	(306)	—	—	—	(306)	—	(306)	—	—	(306)	—	—	
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(6,016)	(6,016)	—	—	—	—	—	
Deconsolidation of noncontrolling interest	—	—	—	—	—	—	—	2,193	2,193	—	—	—	—	—	
Other comprehensive loss	—	—	—	—	—	(4,174)	(4,174)	(64)	(4,238)	—	—	—	—	—	(4
Redemption of equity awards related to disposal of subsidiary	—	—	(1,056)	—	—	—	(1,056)	—	(1,056)	—	—	(1,056)	—	—	
Stock-based compensation	—	—	876	—	—	—	876	—	876						
Stock-based compensation, net of tax withholdings related to net share settlements										—	—	876	—	—	
Balance, December 31, 2022	23,190,080	$ —	$ 359,985	$ (492)	$ (370,427)	$ 26,605	$ 15,671	$ 437	$ 16,108	23,190,080	$ —	$ 359,985	$ (492)	$ (370,427)	$ 26
Vesting of restricted stock awards, net of share settlements for tax withholdings										66,768	—	—	—	—	
Conversion of redeemable Class A preferred stock to common stock										935,831	—	6,086	—	—	

Exercise of Series B warrants	3,331,661	—	16,658	—	—	
Repurchases of Series B warrants	—	—	(4,031)	—	—	
Net income	—	—	—	—	23,559	
Preferred stock dividends	—	—	(74)	—	—	
Distributions to noncontrolling interest holders	—	—	—	—	—	
Repurchases of common stock	(422,727)	—	—	(3,204)	—	
Other comprehensive (loss) income	—	—	—	—	—	(28
Stock-based compensation, net of tax withholdings related to net share settlements	—	—	1,189	—	—	
Balance, December 31, 2023	27,101,613	$ —	$ 379,813	$ (3,696)	$ (346,868)	$ (1

See accompanying notes to Consolidated Financial Statements.

KINGSWAY FINANCIAL SERVICES INC.

Consolidated Statements of Cash Flows

(in thousands)

	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Cash provided by (used in):				
Operating activities:				
Net income	$ 15,065	$ 1,860	$ 24,012	$ 15,065
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Loss (income) from discontinued operations, net of taxes	12,805	(4,574)		
Adjustments to reconcile net income to net cash used in operating activities:				
(Income) loss from discontinued operations, net of taxes			(450)	12,805
Loss on disposal of discontinued operations, net of taxes	2,262	—	1,988	2,262
Equity in net income of limited liability investments	(293)	(27)		
Equity in net loss (income) of limited liability investments			44	(293)
Depreciation and amortization expense	6,449	5,067	6,220	6,449
Stock-based compensation expense, net of forfeitures	4,052	3,598		
Stock-based compensation expense			1,639	4,052
Net realized gains	(1,209)	(1,809)	(761)	(1,209)
Loss on change in fair value of equity investments	26	242		

Loss (gain) on change in fair value of limited liability investments, at fair value	1,754	(2,391)		
Net (gain) loss on equity investments			(3,397)	26
(Gain) loss on change in fair value of limited liability investments, at fair value			(78)	1,754
Net change in unrealized gain on private company investments			(63)	—
Gain on change in fair value of real estate investments	(1,488)	—	—	(1,488)
Loss on change in fair value of debt	4,908	3,201	68	4,908
(Gain) loss on change in fair value of derivatives	(17,070)	14		
Loss (gain) on change in fair value of derivatives			1,643	(17,070)
Loss on change in fair value of contingent consideration	1,510	263	262	1,510
Deferred income taxes, adjusted for Ravix liabilities assumed	1,406	2,203		
Deferred income taxes, adjusted for SPI and DDI liabilities assumed in 2023			(1,924)	1,406
Impairment losses			229	—
Amortization of fixed maturities premiums and discounts	236	230	19	236
Gain on disposal of subsidiary	(37,917)	—	(342)	(37,917)
Gain on extinguishment of debt	—	(2,494)	(31,616)	—
Changes in operating assets and liabilities:				
Service fee receivable, net, adjusted for CSuite, SNS and Ravix assets acquired	(136)	(791)		
Other receivables, net, adjusted for CSuite and Ravix assets acquired	(7)	75		
Service fee receivable, net, adjusted for SPI and DDI (2023) and CSuite and SNS (2022) acquired			1,123	(136)
Other receivables, net, adjusted for CSuite assets acquired in 2022			2,546	(7)
Deferred contract costs	(2,327)	(2,095)	(477)	(2,327)
Other assets, adjusted for CSuite, SNS and Ravix assets acquired	(2,067)	(387)		
Deferred service fees	(6,504)	(2,354)		
Other, net, adjusted for CSuite, SNS and Ravix assets acquired and liabilities assumed	15,916	6,647		
Cash (used in) provided by operating activities - continuing operations	(2,629)	6,478		
Cash used in operating activities - discontinued operations	(11,945)	(12,386)		
Other assets, adjusted for SPI and DDI (2023) and CSuite and SNS (2022) assets acquired			945	(2,067)
Deferred service fees, adjusted for SPI liabilities assumed in 2023			859	(6,504)
Other, net, adjusted for SPI and DDI (2023) and CSuite and SNS (2022) assets acquired and liabilities assumed			(29,338)	15,916
Cash used in operating activities - continuing operations			(26,849)	(2,629)
Cash provided by (used in) operating activities - discontinued operations			663	(11,945)
Net cash used in operating activities	(14,574)	(5,908)	(26,186)	(14,574)
Investing activities:				
Proceeds from sales and maturities of fixed maturities	9,714	6,251	8,468	9,714
Proceeds from sales of equity investments	—	23	3,471	—
Purchases of fixed maturities	(14,211)	(21,868)	(6,467)	(14,211)
Net proceeds from limited liability investments	1,577	2,664	314	1,577
Net proceeds from limited liability investments, at fair value	621	17,006	14,123	621
Net proceeds from investments in private companies	258	391	39	258
Proceeds from sale of real estate investments	12,150		—	12,150
Net proceeds from other investments	55	38		
Net proceeds from other investments and short-term investments			16	55
Net proceeds from disposal of subsidiary, net of cash disposed of $1,391	35,158	—	342	35,158
Acquisition of businesses, net of cash acquired	(13,689)	(10,003)	(13,633)	(13,689)
Acquisition of assets, net of cash acquired	—	(2,635)		
Net disposals (purchases) of property and equipment	26,461	(830)		
Cash provided by (used in) investing activities - continuing operations	58,094	(8,963)		
Cash provided by investing activities - discontinued operations	42,846	365		
Net cash provided by (used in) investing activities	100,940	(8,598)		
Net (purchases) disposals of property and equipment, adjusted for DDI assets acquired in 2023			(205)	26,461
Cash provided by investing activities - continuing operations			6,468	58,094
Cash (used in) provided by investing activities - discontinued operations			(11)	42,846

	2022	2021	2023	2022
Net cash provided by investing activities			6,457	100,940
Financing activities:				
Proceeds from exercise of warrants	545	1,750	16,658	545
Cash paid for repurchase of warrants			(4,031)	—
Cash paid for repurchase of common stock			(3,204)	—
Distributions to noncontrolling interest holders	(6,016)	(2,363)	(4,018)	(6,016)
Payment of contingent consideration from acquisition	(750)	—	(375)	(750)
Taxes paid related to net share settlements of restricted stock awards	(396)	(499)	(450)	(396)
Principal proceeds from bank loans, net of debt issuance costs of $167 in 2022 and $160 in 2021	12,682	6,240		
Principal proceeds from bank loans, net of debt issuance costs of $68 in 2023 and $167 in 2022			5,533	12,682
Principal payments on bank loans	(5,228)	(4,914)	(9,113)	(5,228)
Purchase of subordinated debt			(40,328)	—
Payment of debt issuance costs			(25)	—
Principal payments on notes payable	(6,411)	(9,474)	—	(6,411)
Cash used in financing activities - continuing operations	(5,574)	(9,260)	(39,353)	(5,574)
Cash (used in) provided by financing activities - discontinued operations	(32,358)	8,720		
Cash used in financing activities - discontinued operations			(610)	(32,358)
Net cash used in financing activities	(37,932)	(540)	(39,963)	(37,932)
Net increase (decrease) in cash and cash equivalents and restricted cash from continuing operations	49,891	(11,745)		
Net (decrease) increase in cash and cash equivalents and restricted cash from continuing operations			(59,734)	49,891
Cash and cash equivalents and restricted cash at beginning of period	29,899	44,945	77,802	29,899
Less: cash and cash equivalents and restricted cash of discontinued operations	2,558	5,859	570	2,558
Cash and cash equivalents and restricted cash of continuing operations at beginning of period	27,341	39,086	77,232	27,341
Cash and cash equivalents and restricted cash of continuing operations at end of period	$ 77,232	$ 27,341	$ 17,498	$ 77,232

KINGSWAY FINANCIAL SERVICES INC.

	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Supplemental disclosures of cash flows information:				
Cash paid by continuing operations during the year for:				
Interest	$ 1,427	$ 821	$ 24,581	$ 1,427
Income taxes	$ 501	$ 243	$ 1,894	$ 501
Non-cash investing and financing activities from continuing operations:				
Contingent consideration for acquisition of business	$ —	$ 2,195		
Conversion of redeemable Class A preferred stock to common stock	$ 788	$ 500	$ 6,086	$ 788
Accrued dividends on Class A preferred stock issued	$ 306	$ 340	$ 74	$ 306

See accompanying notes to Consolidated Financial Statements.

KINGSWAY FINANCIAL SERVICES INC.

Notes to Consolidated Financial Statements

NOTE 1 BUSINESS

Kingsway Financial Services Inc. (the "Company" or "Kingsway") was incorporated under the Business Corporations Act (Ontario) on September 19, 1989. Effective December 31, 2018, the Company changed its jurisdiction of incorporation from the province of Ontario, Canada, to the State of Delaware. Kingsway is a holding company with operating subsidiaries located in the United States. The Company owns or controls subsidiaries primarily in the extended warranty and business services industries.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation:

The accompanying information in the 2022 2023 Annual Report has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The accompanying consolidated financial statements include the accounts of Kingsway and its majority owned and controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

In addition, the Company evaluates its relationships or investments for consolidation pursuant to authoritative accounting guidance related to the consolidation of a variable interest entity ("VIE") under the Variable Interest Model prescribed by the Financial Accounting Standards Board ("FASB").

The Company's investments include certain investments, primarily in limited liability companies and limited partnerships in which the Company holds a variable interest. The Company evaluates these investments for the characteristics of a VIE. The Variable Interest Model identifies the characteristics of a VIE to include investments (1) lacking sufficient equity to finance activities without additional subordinated support or (2) in which the holders of equity at risk in the investments lack characteristics of a controlling financial interest, such as the power to direct activities that most significantly impact the legal entity's economic performance; the obligation to absorb the legal entity's expected losses; or the right to receive the expected residual returns of the legal entity. The equity investors as a group are considered to lack the power to direct activities that most significantly impact the legal entity's economic performance when (1) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the legal entity or their rights to receive the expected residual returns of the legal entity and (2) substantially all of the activities of the legal entity are conducted on behalf of an investor with disproportionately few voting rights. When evaluating whether an investment lacks characteristics of a controlling financial interest, the Company considers limited liability companies and limited partnerships to lack the power of a controlling financial interest if neither of the following exists: (1) a simple majority or lower threshold of partners or members with equity at risk are able to exercise substantive kick-out rights through voting interest over the general partner(s) or managing member(s) or (2) limited partners with equity at risk are able to exercise substantive participating rights over the general partner(s) or managing member(s).

If the characteristics of a VIE are met, the Company evaluates whether it meets the primary beneficiary criteria. The primary beneficiary is considered to be the entity holding a variable interest that has the power to direct activities that most significantly impact the economic performance of the VIE; the obligation to absorb losses of the VIE; or the right to receive benefits from the VIE that could potentially be significant to the VIE. In instances where the Company is considered to be the primary beneficiary, the Company consolidates the VIE. When the Company is not considered to be the primary beneficiary of the VIE, the VIE is not consolidated and the Company uses the equity method to account for the investment. Under this method, the carrying value is generally the Company's share of the net asset value of the unconsolidated entity, and changes in the Company's share of the net asset value are recorded in net investment income.

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no impact on previously reported net income or total shareholders' equity.

Subsidiaries

The Company's consolidated financial statements include the assets, liabilities, shareholders' equity, revenues, expenses and cash flows of the holding company and its subsidiaries and have been prepared in accordance with U.S. GAAP. A subsidiary is an entity controlled, directly or indirectly, through ownership of more than 50% of the outstanding voting rights, or where the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. Assessment of control is based on the substance of the relationship between the Company and the entity and includes consideration of both existing voting rights and, if applicable, potential voting rights that are currently exercisable and convertible. The operating results of subsidiaries that have been disposed are included up to the date control ceased, and any difference between the fair value of the consideration received and the carrying value of a subsidiary that has been disposed is recognized in the consolidated statements of operations. All intercompany balances and transactions are eliminated in full.

The consolidated financial statements are prepared as of December 31, 2022 2023 based on individual company financial statements at the same date, or in the case of certain limited liability companies that are consolidated, on a three-month lag basis. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with those of Kingsway.

The Company's subsidiaries Argo Holdings Fund I, LLC ("Argo Holdings"), Flower Portfolio 001, LLC ("Flower") and Net Lease Investment Grade Portfolio LLC ("Net Lease") meet the definition of an investment company and follow the accounting and reporting guidance in Financial Accounting Standards Codification Topic 946, *Financial Services-Investment*

Companies. Flower and Net Lease were both dissolved during 2023.

Noncontrolling interests

The Company has noncontrolling interests attributable to certain of its subsidiaries. A noncontrolling interest arises where the Company owns less than 100% of the voting rights and economic interests in a subsidiary. A noncontrolling interest is initially recognized at the proportionate share of the identifiable net assets of the subsidiary at the acquisition date and is subsequently adjusted for the noncontrolling interest's share of the acquiree's net income (loss) and changes in capital. The effects of transactions with noncontrolling interests are recorded in shareholders' equity where there is no change of control.

(b) Use of estimates:

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and classification of assets and liabilities, revenues and expenses, and the related disclosures of contingent assets and liabilities in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates. Estimates and their underlying assumptions are reviewed on an ongoing basis. Changes in estimates are recorded in the accounting period in which they are determined.

The critical accounting estimates and assumptions in the accompanying consolidated financial statements include, but are not limited to, revenue recognition; valuation of fixed maturities and equity investments; impairment assessment of investments; valuation of limited liability investments, at fair value; valuation of deferred income taxes; accounting for business combinations and asset acquisitions; combinations; contingent consideration; valuation and impairment assessment of intangible assets; goodwill recoverability; deferred contract costs; fair value assumptions for subordinated debt obligations; fair value assumptions for subsidiary stock-based compensation awards; and fair value assumptions for derivative instruments and contingent consideration. instruments.

(c) Business combinations and asset acquisitions:

The Company evaluates acquisitions in accordance with Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"), to determine if a transaction represents an acquisition of a business or an acquisition of assets. The results of acquired subsidiaries are included in the consolidated statements of operations from the date of acquisition.

An acquisition of a business represents a business combination. The acquisition method of accounting is used to account for a business combination. The cost of an acquired business is measured as the fair value of the assets received, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any noncontrolling interest. The excess of the cost of an acquired business over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquired business is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statements of operations. Noncontrolling interests in the net assets of consolidated entities are reported separately in shareholders' equity and initially measured at fair value. Acquisition costs related to a business combination are expensed as incurred.

When an acquisition does not meet the definition of a business combination either because: (i) substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset, or group of similar identified assets, or (ii) the acquired entity does not have an input and a substantive process that together significantly contribute to the ability to create outputs, the Company accounts for the acquisition as an asset acquisition. In an asset acquisition, goodwill is not recognized. Any excess of the total purchase price plus transaction costs over the fair value of the net assets acquired is allocated on a relative fair value basis to the identifiable net assets at the acquisition date.

(d) Investments:

Investments in fixed maturities are classified as available-for-sale and reported at fair value. Unrealized gains and losses are included in accumulated other comprehensive income, net of tax, until sold or until an other-than-temporary impairment is recognized, at which point cumulative unrealized gains or losses are reclassified to the consolidated statements of operations. tax.

Equity investments include common stocks and warrants and are reported at fair value. Changes in fair value of equity investments are recognized in net income.

Limited liability investments include investments in limited liability companies and limited partnerships in which the Company's interests are not deemed minor and, therefore, are accounted for under the equity method of accounting. The most recently available financial statements are used in applying the equity method. The difference between the end of the reporting period of the limited liability entities and that of the Company is no more than three months. Income or loss from limited liability investments is recognized based on the Company's share of the earnings of the limited liability entities and is included in net investment income.

Limited liability investments, at fair value are accounted for at fair value with changes in fair value included in gain (loss) on change in fair value of limited liability investments, at fair value. The difference between the end of the reporting period of the limited liability investments, at fair value and that of the Company is no more than three months.

Investments in private companies consist of convertible preferred stocks and notes in privately owned companies and investments in limited liability companies in which the Company's interests are deemed minor. These investments do not have readily determinable fair values and, therefore, are reported at cost, adjusted for observable price changes and impairments. Changes in carrying value are included in net change in unrealized loss gain on private company investments.

Real estate investments are reported at fair value, which is zero as of December 31, 2022 due to the sale of Flower's investment real estate properties for $12.2 million on September 29, 2022. Note 7, "Investments," for further details.

Other investments include collateral loans and are reported at their unpaid principal balance, net of an allowance for credit losses, which approximates fair value.

Short-term investments, which consist of investments with original maturities between three months and one year, are reported at cost, which approximates fair value.

Realized gains and losses on sales, determined on a first-in first-out basis, are included in net realized gains.

Dividends and interest income are included in net investment income. Investment income is recorded as it accrues.

The Company accounts for all financial instruments using trade date accounting.

The Company conducts a quarterly review to identify and evaluate investments that show objective indications of possible impairment. Impairment is charged to the consolidated statements of operations if the fair value of an instrument falls below its cost/ cost or amortized cost.

When an available-for-sale fixed maturity investment is impaired, it is evaluated to determine whether there is an intent to sell the investment before recovery of amortized cost or whether a credit loss exists.

For fixed maturity investments that the Company intends to sell or for which it is more likely than not that the Company will be required to sell before an anticipated recovery of value, the full amount of the impairment is recognized as an impairment loss in the consolidated statements of operations. The investment's amortized cost is written down to its fair value and is not adjusted for any subsequent recoveries.

For fixed maturity investments that the Company does not intend to sell or for which it is more likely than not that the Company will not be required to sell before an anticipated recovery of value, the Company evaluates whether a decline in fair value below the amortized cost basis has occurred from a credit loss or other non-credit related factors.

Considerations in the credit loss assessment include (1) extent to which the fair value has been less than amortized cost, (2) conditions related to the investment, an industry, or a geographic area, (3) payment structure of the investment and the decline likelihood of the issuer's ability to make contractual cash flows, (4) defaults or other collectability concerns related to the issuer, (5) changes in the ratings assigned by a rating agency and (6) other credit enhancements that affect the investment's expected performance.

If a credit loss exists, an allowance is considered other-than-temporary. established, which is equal to the difference between the present value of cash flows expected to be collected and the amortized cost basis. The expected allowance for credit losses is limited by the amount that the fair value is less than the amortized cost basis and is adjusted in subsequent periods for any additional expected credit losses or subsequent recoveries. Changes in the allowance are reported as impairment losses in the consolidated statements of operations. The amortized cost basis of the investment is not adjusted for the expected allowance for credit loss. The impairment related to other non-credit related factors is reported in other comprehensive (loss) income.

The Company reports accrued investment income separately for available-for-sale fixed maturity investments and has made a policy election to not measure an allowance for credit losses on accrued investment income. Accrued investment income is written off against net investment income at the time the issuer of the bond defaults or is expected to default on interest payments.

Prior to January 1, 2023, the Company's assessment of whether an impairment loss for a fixed maturity security occurred incorporated both quantitative and qualitative information. Factors considered in determining whether a loss is was other-than-temporary include included the length of time and extent to which fair value has had been below cost; the financial condition and near-term prospects of the issuer; and the Company's ability and intent to hold investments for a period of time sufficient to allow for any anticipated recovery.

(e) Cash and cash equivalents:

Cash and cash equivalents include cash and investments with original maturities of no more than three months when purchased that are readily convertible into cash.

(f) Restricted cash:

Restricted cash represents certain cash and cash equivalent balances restricted as to withdrawal or use. The Company's restricted cash is comprised primarily of cash held for the payment of vehicle service agreement claims under the terms of certain contractual agreements, funds held in escrow, statutory deposits and amounts pledged to third-parties as deposits or to collateralize liabilities.

(g) Service fee receivable:

Service fee receivable includes balances due and uncollected from customers. Service fee receivable is reported net of an estimated allowance for doubtful accounts. credit losses. The Company recognizes credit losses based on a forward-looking current expected credit losses. The Company estimates expected credit losses based upon its assessment of various factors, including historical collection experience, the age of service fee receivable balances, credit quality of its customers, current economic conditions, management's experience, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from customers. Expected credit losses are recorded as general and administrative expenses in the consolidated statements of operations. Amounts are written off against the allowance when determined to be uncollectible. Write-offs are applied as a reduction to the allowance for doubtful accounts is determined based on periodic evaluations credit losses and any recoveries of aged receivables, historical business data, management's experience and current economic conditions.
previous write-offs are netted against bad debt expense in the period recovered.

(h) Deferred contract costs:

Deferred contract costs represent the deferral of incremental costs to obtain or fulfill a contract with a customer. Incremental costs to obtain a contract with a customer primarily include sales commissions. The Company capitalizes costs incurred to fulfill a contract if the costs are identifiable, generate or enhance resources used to satisfy future performance obligations and are expected to be recovered. Costs to fulfill a contract include labor costs for set-up activities directly related to the acquisition of vehicle service agreements. Contract costs are deferred and amortized over the expected customer relationship period consistent with the pattern in which the related revenues are earned. Amortization of incremental costs to obtain a contract and costs to fulfill a contract with a customer are recorded in commissions and general and administrative expenses, respectively, in the consolidated statements of operations. Changes in estimates, if any, are recorded in the accounting period in which they are determined.

(i) Property and equipment:

Property and equipment are reported in the consolidated financial statements at cost. Depreciation of property and equipment has been provided using the straight-line method over the estimated useful lives of such assets. Repairs and maintenance are recognized in operations during the period incurred. Land is not depreciated. The Company estimates useful life to be three to ten years for leasehold improvements; three to seven years for furniture and equipment; and three to five ten years for computer hardware. hardware; and five years for medical equipment.

(j) Goodwill and intangible assets:

When the Company acquires a subsidiary or other business where it exerts significant influence, the fair value of the net tangible and intangible assets acquired is determined and compared to the amount paid for the subsidiary or business acquired. Any excess of the amount paid over the fair value of those net assets is considered to be goodwill.

KINGSWAY FINANCIAL SERVICES INC.
Notes to Consolidated Financial Statements

Goodwill is tested for impairment annually as of November 30, or more frequently if events or circumstances indicate that the carrying value may not be recoverable, to ensure that its fair value is greater than or equal to the carrying value. Any excess of carrying value over fair value is charged to the consolidated statements of operations in the period in which the impairment is determined.

When the Company acquires a subsidiary or other business where it exerts significant influence or acquires certain assets, intangible assets may be acquired, which are recorded at their fair value at the time of the acquisition. An intangible asset with a definite useful life is amortized in the consolidated statements of operations over its estimated useful life. The

Company writes down the value of an intangible asset with a definite useful life when the undiscounted cash flows are not expected to allow for full recovery of the carrying value.

Intangible assets with indefinite useful lives are not subject to amortization and are tested for impairment annually as of November 30, or more frequently if events or circumstances indicate that the carrying value may not be recoverable, to ensure that fair values are greater than or equal to carrying values. Any excess of carrying value over fair value is charged to the consolidated statements of operations in the period in which the impairment is determined.
The Company may perform its impairment test for any indefinite-lived intangible asset through a qualitative assessment or elect to proceed directly to a quantitative impairment test, however, the Company may resume a qualitative assessment in any subsequent period if facts and circumstances permit.

(k) Derivative financial instruments:

Derivative financial instruments include an interest rate swap contact and the trust preferred debt repurchase options. The Company measures derivative financial instruments at fair value. The fair value of derivative financial instruments is required to be revalued each reporting period, with corresponding changes in fair value recorded in the consolidated statements of operations. Realized gains or losses are recognized upon settlement of the contracts. Refer to Note 11, "Derivatives," for further information.

The Company entered into a pay fixed, receive variable interest rate swap contract to reduce its exposure to changes in interest rates. The interest rate swap contract is included in other assets and accrued expenses and other liabilities in the consolidated balance sheets at December 31, 2022 and December 31, 2021, respectively. sheets. The Company has not elected hedge accounting for the interest rate swap, therefore changes in fair value are recorded in current period earnings and are included in interest expense in the consolidated statements of operations.

During the third quarter of 2022, the Company entered into three trust preferred debt repurchase option agreements. The trust preferred debt repurchase options are included in other assets in the consolidated balance sheet at December 31, 2022 with changes in fair value included in (loss) gain on change in fair value of derivative asset option contracts in the consolidated statement of operations. The Company exercised the repurchase options during the first quarter of 2023.

(l) Debt:

Bank loans and notes payable are reported in the consolidated balance sheets at par value adjusted for unamortized discount or premium and unamortized issuance costs. Discounts, premiums, and costs directly related to the issuance of debt are capitalized and amortized through the maturity date of the debt using the effective interest rate method and are recorded in interest expense in the consolidated statements of operations. Gains and losses on the extinguishment of debt are recorded in gain on extinguishment of debt.

The Company's subordinated debt is measured and reported at fair value. The fair value of the subordinated debt is calculated using a model based on significant market observable inputs and inputs developed by a third-party. These inputs include credit spread assumptions developed by a third-party and market observable swap rates. The portion of the change in fair value of subordinated debt related to the instrument-specific credit risk is recognized in other comprehensive loss.

(m) Contingent consideration:

The consideration for certain of the Company's acquisitions include future payments to former owners that are contingent upon the achievement of certain targets over future reporting periods. Liabilities for contingent consideration are measured and reported at fair value at the date of acquisition and are included in accrued expenses and other liabilities in the consolidated balance sheets. Changes in the fair value of contingent consideration liabilities can result from changes to one or multiple inputs, including adjustments to the discount rates or changes in the assumed achievement or timing of any targets. These fair value measurements are based on significant inputs not observable in the market. Changes in assumptions could have an impact on the payout of contingent consideration liabilities. Changes in fair value are reported in the consolidated statements of operations as non-operating other (expense) revenue. expense.

(n) Income taxes:

The Company follows the asset and liability method of accounting for income taxes, whereby deferred income tax assets and liabilities are recognized for (i) the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases and (ii) loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not and a valuation allowance is established for any portion of a deferred tax asset that management believes will not be realized. Current federal income taxes are charged or credited to operations based upon amounts amounts estimated to be payable or recoverable as a result of taxable operations for the current year. The Company accounts for uncertain tax positions in accordance with the income tax accounting guidance. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense (benefit). expense.

(o) Leases:

The Company records a right of use asset and lease liability for all leases in which the estimated term exceeds twelve months. The Company treats contracts as a lease when the contract: (1) conveys the right to use a physically distinct property or equipment asset for a period of time in exchange for consideration, (2) the Company directs the use of the asset and (3) the Company obtains substantially all the economic benefits of the asset. Right-of-use assets and lease liabilities are measured and recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. As the Company's leases are office leases, the Company is unable to determine an implicit rate; therefore, the Company uses its incremental borrowing rate based on the information available at the lease commencement date in determining the present value of future payments for those leases. The Company includes options to extend or terminate the lease in the measurement of the right-of-use asset and lease liability when it is reasonably certain that such options will be exercised. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company determines lease classification at the commencement date. Leases not classified as sales-type (lessor) or financing leases (lessor and lessee) are classified as operating leases. The primary accounting criteria the Company uses that results in operating lease classification are: (a) the lease does not transfer ownership of the underlying asset to the lessee by the end of the lease term, (b) the lease does not grant the lessee a purchase option that the lessee is reasonably certain to exercise, (c) using a seventy-five percent or more threshold in addition to other qualitative factors, the lease term is not for a major part of the remaining economic life of the underlying asset, (d) using a ninety percent or more threshold in addition to other qualitative factors, the present value of the sum of the lease payments and residual value guarantee from the lessee, if any, does not equal or substantially exceed the fair value of the underlying asset.

As an accounting policy, the Company has elected not to apply the recognition requirements in ASC 842 to short-term leases (generally those with terms of twelve months or less). Instead, the Company recognizes the lease payments as expense on a straight-line basis over the lease term and any variable lease payments in the period in which the obligation for those payments is incurred.

Rental expense for operating leases is recognized on a straight-line basis over the lease term, net of any applicable lease incentive amortization.

(p) Revenue recognition:

Service fee and commission revenue and deferred service fees contract balances

Service fee and commission revenue represents vehicle service agreement fees, guaranteed asset protection products ("GAP") commissions, maintenance support service fees, warranty product commissions, homebuilder warranty service fees, homebuilder warranty commissions, and business services consulting revenue, healthcare services revenue and software license and support revenue based on terms of various agreements with credit unions, consumers, businesses and homebuilders. Customers either pay in full at the inception of a warranty contract or commission product sale, or when consulting, healthcare and software license and support services are billed, or on terms subject to the Company's customary credit reviews.

Vehicle service agreement fees include the fees collected to cover the costs of future automobile mechanical breakdown claims and the associated administration of those claims. Vehicle service agreement fees are earned over the duration of the vehicle service agreement contracts as the single performance obligation is satisfied. Vehicle service agreement fees are initially recorded as deferred service fees with revenues recognized over the term of the contract based on the proportion of expected claims to total overall claims to be incurred over the life of the contract. The Company believes this reasonably represents the transfer of services to the vehicle service contract holder over the warranty term. The Company compares the remaining deferred service fees balance to the estimated amount of expected future claims under the vehicle service agreement contracts and records an additional accrual if the deferred service fees balance is less than expected future claims costs.

In certain jurisdictions the Company is required to refund to a customer a pro-rata share of the vehicle service agreement fees if a customer cancels the agreement prior to the end of the term. Depending on the jurisdiction, the Company may be entitled to deduct from the refund a cancellation fee and/or amounts for claims incurred prior to cancellation. While refunds vary depending on the term and type of product offered, historically refunds have averaged9% 5.75% to 13% 14% of of the original amount of the vehicle service agreement fee. Revenues recorded by the Company are net of variable consideration related to refunds and the associated refund liability is included in accrued expenses and other liabilities.

The Company estimates refunds based on the actual historical refund rates by warranty type taking into consideration current observable refund trends in estimating the expected amount of future customer refunds to be paid at each reporting period.

Maintenance support service fees include the service fees collected to administer equipment breakdown and maintenance support services and are earned as services are rendered.

Warranty product commissions include the commissions from the sale of warranty contracts for certain new and used heating, ventilation, air conditioning ("HVAC"), standby generator, commercial LED lighting and commercial refrigeration equipment. The Company acts as an agent on behalf of the third-party insurance companies that underwrite and guaranty these warranty contracts. The Company does not guaranty the performance underlying the warranty contracts it sells. Warranty product commissions are earned at the time of the warranty product sales.

Homebuilder warranty service fees include fees collected from the sale of warranties issued by new homebuilders. The Company receives a single and homebuilder warranty service fee as its transaction price at the time it enters into a written contract with each of its builder customers. Each contract contains two separate performance obligations - warranty administrative services and other warranty services. Warranty administrative services include enrolling each home sold by the builder into the program and the warranty administrative system and delivering the warranty product. Other warranty services include answering builder or homeowner questions regarding the home warranty and dispute resolution services.

Standalone selling prices are not directly observable in the contract for each of the separate home warranty performance obligations. As a result, the Company has applied the expected cost plus a margin approach to develop models to estimate the standalone selling price for each of its performance obligations in order to allocate the transaction price to the two separate performance obligations identified.

For the model commissions related to the warranty administrative services performance obligation, the Company makes judgments about Company's former subsidiary Professional Warranty Services Corporation ("PWSC") which was disposed of its actual costs are associated with enrolling each home sold by the builder into the program and the warranty administrative system and delivering the warranty product. For the model related to the other warranty services performance obligation, the Company makes judgments about which of its actual costs are associated with activities, such as answering builder or homeowner questions regarding the home warranty and dispute resolution services, which are performed over the life of the warranty coverage period. The relative percentage of expected costs plus a margin associated with the warranty administrative services performance obligation is applied to the transaction price to determine the estimated standalone selling price of the warranty administrative services performance obligation, which the Company recognizes as earned at the time the home is enrolled and the warranty product is delivered. The relative percentage of expected costs plus a margin associated with the other warranty services performance obligation is applied to the transaction price to determine the estimated standalone selling price of the other warranty services performance obligation, which the Company recognizes as earned as services are performed over the warranty coverage period. on July 22, 2022.

For the other warrantyBusiness services performance obligation, the Company applies an input method of measurement, based on the expected costs plus a margin of providing services, to determine the transfer of its services over the warranty coverage period. The Company uses historical data regarding the number of calls it receives and activities performed, in addition to the number of homes enrolled, to estimate the number of complaints and dispute resolution requests to be received by year until coverage expires, which allows the Company to develop a revenue recognition pattern that it believes provides a faithful depiction of the transfer of services over time for the other warranty services performance obligation.

Homebuilder warranty commissions include commissions from the sale of warranty contracts for those builders who have requested and receive insurance backing of their warranty obligations. The Company acts as an agent on behalf of the third-party insurance company that underwrites and guaranties these warranty contracts. Homebuilder warranty commissions are earned on the certification date, which is typically the date of the closing of the sale of the home to the buyer. The Company also earns fees to manage remediation or repair services related to claims on insurance-backed warranty obligations, which are earned when the claims are closed.

Kingsway Search Xcelerator consulting revenue includes the revenue from providing outsourced finance and human resources consulting services, as well as healthcare professional staffing services. The Company invoices for business services revenue based on contracted rates. Revenue is earned as services are provided.

Healthcare services revenue includes revenue from providing healthcare professional staffing services and outsourced cardiac telemetry services for long-term acute care and inpatient rehabilitation hospitals. The Company invoices for healthcare services revenue based on contracted rates. Revenue is earned as services are provided.

Contingent consideration receivable

The terms of the sale of one of the Company's subsidiaries includes potential receipt by the Company of future earnout payments. The gain related to the earnout payments is recorded when the consideration is determined to be realizable and is reported in the consolidated statements of operations as gain on disposal of subsidiary. The assumptions and methodologies used are continually reviewed and any adjustments are reflected in the consolidated statements of operations in the period in which the adjustments are made. See Note 5, "Disposal and Discontinued Operations," for further discussion.

Software license and support revenue includes revenue from the sale or rental of software products created exclusively to serve the management needs of all types of shared-ownership properties. Software licenses are on-premise at customer locations and considered fully functional when made available and delivered to the customer. As the customer can use and benefit from the license on its own, software licenses represent distinct performance obligations. Revenue is recognized upfront at the point in time when control is transferred, which is defined as the point in time when the customer can use and benefit from the license. The Company's software licenses are sold as term licenses, and the contracts include software support services, which are accounted for as separate performance obligations. The Company recognizes the portion of the transaction price allocated to the software license on a residual basis. The residual basis is used to allocate revenue when the contract arrangement includes a software license and has at least one performance obligation for which the stand-alone selling price ("SASP") is observable, such as the software support services. The residual method is used as the selling price for software licenses in circumstances when the transaction price is highly variable and the SASP is not discernable from past transactions or other observable evidence. The Company evaluates the residual approach estimate compared to all available observable data in order to conclude the estimate is representative of its SASP. Software support revenue is recognized ratably over the contract period as services are rendered. The SASP of software support is consistent with the stand-alone pricing of subsequent software support renewals.

Contract balances

The timing of revenue recognition may differ from the timing of billing and cash receipts from customers. A contract asset is established for revenue that is recognized prior to billing the customer and is included in other assets in the consolidated balance sheets. Upon billing, which typically occurs over a three to five year installment period, the value of the contract asset is reversed and service fee receivable is recorded. When payment is made prior to satisfaction of performance obligations, a contract liability is established which is recorded as deferred service fees in the consolidated balance sheets. If the satisfaction of the performance obligation occurs over time, the contract liability is reversed over the contract term, as the services are provided to the customer. If the satisfaction of the performance obligation is at a point in time, the contract liability reverses upon delivery to the customer.

(q) Stock-based compensation:

The Company uses the fair-value method of accounting for stock-based compensation awards granted to employees. Expense is recognized on a straight-line basis over the requisite service period during which awards are expected to vest, with a corresponding increase to either additional paid-in capital for equity-classified awards or to a liability for liability-classified awards. Liability-classified awards, included in accrued expenses and other liabilities in the consolidated balance sheets, are measured and reported at fair value on the date of grant and are remeasured each reporting period. Compensation expense related to the change in fair value for liability-classified awards is reported in the consolidated statements of operations as general and administrative expenses. For awards with a graded vesting schedule, expense is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award. For awards subject to a performance condition, expense is recognized when the performance condition has been satisfied or is probable of being satisfied. For awards subject to a market condition, compensation expense is recognized on a straight-line basis regardless of whether the market condition is satisfied, provided that the requisite service has been provided. Forfeitures are recognized in the period that the award is forfeited.

(r) Fair value of financial instruments:

The fair values of the Company's investments in fixed maturities and equity investments, limited liability investments, at fair value, real estate investments, subordinated debt, stock-based compensation liabilities, derivative financial instruments and contingent consideration are estimated using a fair value hierarchy to categorize the inputs it uses in valuation techniques. Fair values for other investments approximate their unpaid principal balance. The carrying amounts reported in the consolidated balance sheets approximate fair values for cash and cash equivalents, restricted cash, short-term investments and certain other assets and other liabilities because of their short-term nature.

(s) Holding company liquidity:

The Company's Extended Warranty and Kingsway Search Xcelerator subsidiaries fund their obligations primarily through service fee and commission revenue.

The liquidity of the holding company is managed separately from its subsidiaries. The obligations of the holding company primarily consist of holding company operating expenses; transaction-related expenses; investments; certain debt and associated interest; and any other extraordinary demands on the holding company.

The holding company's liquidity, defined as the amount of cash in the bank accounts of Kingsway Financial Services Inc. and Kingsway America Inc. ("KAI"), was $48.9 million and $2.2 million at December 31, 2022 and December 31, 2021, respectively. The holding company cash amounts are reflected in the cash and cash equivalents of $64.2 million and $10.1 million reported at December 31, 2022 and December 31, 2021, respectively, on the Company's consolidated balance sheets.

In addition to its collections from subsidiaries and holding company expenditures, the Company anticipates the following cash inflows and outflows over the next twelve months:

- Inflows:
  - Distributions from Net Lease of $8.3 million, from the sale of the last commercial real estate property in February 2023
  - $3.7 million from the exercise of 0.7 million warrants from January 1 through February 28, 2023
  - $1.5 million distribution from Amigo, given that as of early March 2023 it was no longer a regulated insurance company
- Outflows:
  - $56.5 million to repurchase the trust preferred debt instruments (aka subordinate debt) for which it has the option to repurchase, which outflow is expected no later than March 15, 2023 (see Note 11, "Derivatives," and Note 26, “Subsequent Events ”)
  - $4.7 million of deferred interest to the remaining trust preferred debt instrument for which the Company did not have the right to repurchase (see Note 26, “Subsequent Events”); the Company would have the ability to defer interest payments for up to 20 quarters on the remaining trust preferred debt instrument, if it so elected
  - $6.1 million required to redeem the Class A Preferred Shares; however, based on discussions with the holders of the Class A Preferred Shares, the Company anticipates that 100% of the Class A Preferred Shares would be converted and, in that case, there would be no cash outlay by the Company (see Note 19, "Redeemable Class A Preferred Stock," and Note 26, “Subsequent Events”)

The Company notes there are outstanding warrants that expire in September 2023 (see Note 20, “Shareholders' Equity”) and, if all outstanding warrants were exercised, the Company would receive an additional $18.7 million. The Company also notes that it has an additional $10 million available from the second amendment to the 2020 KWH Loan (see Note 12, "Debt," and Note 26, “Subsequent Events”), that is available to be drawn.

Based on the Company’s current business plan and revenue prospects, existing cash, cash equivalents, investment balances and anticipated cash flows from operations are expected to be sufficient to meet the Company’s working capital and operating expenditure requirements, including the cash that may be required to redeem the Preferred Shares, repurchase its trust preferred securities and to pay the deferred interest on its trust preferred securities, for the next twelve months. However, the Company’s assessment could also be affected by various risks and uncertainties, including, but not limited to, the developing macro-economic environment.

NOTE 3 RECENTLY ISSUED ACCOUNTING STANDARDS

(a) Adoption of New Accounting Standards:

Effective January 1, 2022, 2023, the Company adopted Accounting Standards Update ("ASU") 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)* ("ASU 2021-04"). ASU 2021-04 clarifies and reduces diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. ASU 2021-04 provides guidance that will clarify whether an issuer should account for a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as (1) an adjustment to equity and, if so, the related earnings per share (EPS) effects, if any, or (2) an expense and, if so, the manner and pattern of recognition. The adoption of ASU 2021-04 did not have an effect on the Company’s consolidated financial statements.

In March 2020, the FASB issued ASU No.2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* that provides optional expedients for a limited period of time for accounting for contracts, hedging relationships, and other transactions affected by the London Interbank Offered Rate ("LIBOR") or other reference rates expected to be discontinued. These optional expedients can be applied from March 2020 through December 31, 2022. In December 2022, the FASB issued ASU No.2022-06 *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* which deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. Debt arrangements that were entered into during the year ended December 31, 2022, including the new term loans expiring in November 2028 and the new revolving credit facilities expiring in November 2024, no longer use LIBOR as a reference rate. LIBOR continues to be the reference rate for our trust preferred subordinated debt with maturity dates ranging from December 2032 through January 2034. The phase out of LIBOR reference rates for our subordinated debt will occur beginning in June 2023. The Company's adoption of this new standard occurred during the year ended December 31, 2022, prior to the phase-out of the LIBOR reference rate. There was no material impact to the Company's consolidated financial statements, nor do we expect the adoption of this standard to have a material impact on the consolidated financial statements during the LIBOR transition period.

(b) **Accounting Standards Not Yet Adopted:**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade, reinsurance, and other receivables as well as financial instruments measured at amortized cost. ASU 2016-13 will require requires a financial asset measured at amortized cost including reinsurance balances recoverable, to be presented at the net amount expected to be collected by means of an allowance for credit losses that runs through net income (loss). Credit income. For available-for-sale fixed maturities carried at fair value, estimated credit losses relating will continue to available-for-sale debt securities will also be recorded measured at the present value of expected cash flows, however, the other than temporary impairment concept has been eliminated. Under the previous guidance, estimated credit impairments resulted in a write down of amortized cost. Under the new guidance, estimated credit losses are recognized through an allowance for credit losses. However, the amendments would limit the amount and reversals of the allowance to are permitted if the amount by which fair value is below amortized cost. The measurement estimate of credit losses on declines. For available-for-sale investments fixed maturities where there is similar under current GAAP, but the update requires the use an intent to sell, impairment will continue to result in a write down of the allowance account through which amounts can be reversed, rather than through irreversible write-downs. On November 15, 2019, the FASB issued ASU 2019-10, which (1) provides a framework to stagger effective dates for future major accounting standards and (2) amends the effective dates for certain major new accounting standards to give implementation relief to certain types of entities. Specifically, per ASU 2019-10 the amortized cost.

The Company would adopt adopted ASU 2016-13 beginning using a modified retrospective method. Prior period amounts have January 1, 2023, notas been adjusted and continue to be reported in accordance with the Company previous accounting guidance. A prospective transition approach is a smaller reporting company. required for available-for-sale fixed maturity investments that have recognized an other-than-temporary impairment write down prior to the effective date. The Company's service fee receivable and other receivables are within the scope adoption of ASU 2016-13 however resulted in no cumulative-effect adjustment to accumulated deficit at January 1, 2023.

(b) **Accounting Standards Not Yet Adopted:**

In March 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-02, *Investments Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.* These amendments allow reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. This guidance is effective for public business entities for fiscal years including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted in any interim period. The Company does not anticipate expect the adoption of ASU 2023-02 to have an impact on its consolidated financial statements.

In October 2023, the FASB issued ASU 2023-06,*Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative issued inAugust 2018* ("ASU 2023-06"), which amends U.S. GAAP to reflect updates and simplifications to certain disclosure requirements referred to FASB by the SEC. The targeted amendments incorporate 14 of the 27 disclosures referred by the SEC into Codification. Some of the amendments represent clarifications to, or technical corrections of, the current requirements. ASU 2023-06 could move certain disclosures from the nonfinancial portions of SEC filings to the financial statement notes. Each amendment in ASU 2023-06 will only become effective if the SEC removes the related disclosure or presentation requirement from its existing regulation by June 30, 2027. No amendments were effective at December 31, 2023. The Company is currently evaluating the impact of adopting the adoption of the new standard but does not expect a significant impact on its consolidated financial statements.

In November 2023, the FASB issued ASU No.2023-07,*Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The purpose of the amendments is to enable investors to better understand an entity's overall performance and assess potential future cash flows. ASU 2023-07 is effective for public companies with annual periods beginning after December 15, 2023, and interim periods within annual period beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact the adoption of this standard will be material to have on its consolidated financial statements.

In December 2023, the FASB issued ASU No.2023-09,*Improvements to Income Tax Disclosures* ("ASU 2023-09"), which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. ASU 2023-09 is effective for public companies with annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact the adoption of this standard will have on its consolidated financial statements.

NOTE 4 ACQUISITIONS

(a) Business Combinations

During the years ended December 31, 2022 2023 and December 31, 2021 2022, the Company incurred acquisition expenses related to business combinations of$1.1 0.7 million and $0.4 $1.1million, respectively, which are included in general and administrative expenses in the consolidated statements of operations.

Systems Products International, Inc.

On September 7, 2023, the Company acquired 100% of the outstanding equity interests of Systems Products International, Inc. ("SPI") for aggregate cash consideration of $2.8 million, less certain escrowed amounts for purposes of indemnification claims and working capital adjustments. SPI, based in Miami, Florida, is a vertical market software company, created exclusively to serve the management needs of all types of shared-ownership properties. As further discussed in Note 22, "Segmented Information," SPI is included in the Kingsway Search Xcelerator segment. This acquisition was the Company's fourth acquisition under its novel CEO Accelerator program and its first in the vertical market software space and further expands the Company's portfolio of businesses with recurring revenue and low capital intensity.

This acquisition was accounted for as a business combination using the acquisition method of accounting. The purchase price was provisionally allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition and are subject to adjustment during a measurement period subsequent to the acquisition date, not to exceed one year as permitted under U.S. GAAP. The Company expects to complete its purchase price allocation during the first quarter of 2024. These estimates, allocations and calculations are subject to change as we obtain further information; therefore, the final fair values of the assets acquired and liabilities assumed could change from the estimates included in these consolidated financial statements.

Refer to Note 9, "Intangible Assets," for further disclosure of the intangible assets related to this acquisition. The goodwill of $0.1 million represents the premium paid over the fair value of the net tangible and intangible assets acquired, which the Company paid to grow its portfolio of companies and acquire an assembled workforce. The goodwill is not deductible for tax purposes.

The following table summarizes the preliminary estimated allocation of the SPI assets acquired and liabilities assumed at the date of acquisition:

(in thousands)		
		September 7, 2023
Cash and cash equivalents	$	121
Restricted cash		6
Service fee receivable		381
Goodwill		107
Intangible asset not subject to amortization - trade name		120

Intangible asset subject to amortization - customer relationships	1,000
Intangible asset subject to amortization - developed technology	600
Other assets	1,789
Total assets	$ 4,124
Accrued expenses and other liabilities	$ 125
Deferred service fees	423
Net deferred income tax liabilities	776
Total liabilities	$ 1,324
Purchase price	$ 2,800

The consolidated statements of operations include the earnings of SPI from the date of acquisition. From the date of acquisition through December 31, 2023, SPI earned revenue of $0.8 million and had a net income of $0.4 million.

Digital Diagnostics Imaging, Inc.

On October 26, 2023, the Company acquired 100% of the outstanding equity interests of Digital Diagnostics Imaging, Inc. ("DDI") for aggregate cash consideration of approximately $11.0 million, less certain escrowed amounts for purposes of indemnification claims and working capital adjustments. DDI, based in Wall, New Jersey, is a provider of fully managed outsourced cardiac telemetry services. As further discussed in Note 22, "Segmented Information," DDI is included in the Kingsway Search Xcelerator segment. This acquisition was the Company's fifth acquisition under its novel CEO Accelerator program and further expands the Company's portfolio of businesses with recurring revenue and low capital intensity.

This acquisition was accounted for as a business combination using the acquisition method of accounting. The purchase price was provisionally allocated to the assets acquired and liabilities ass umed based on their estimated fair values at the date of acquisition and are subject to adjustment during a measurement period subsequent to the acquisition date, not to exceed one year as permitted under U.S. GAAP. The Company expects to complete its purchase price allocation during the first quarter of 2024. These estimates, allocations and calculations are subject to change as we obtain further information; therefore, the final fair values of the assets acquired and liabilities assumed could change from the estimates included in these consolidated financial statements.

Refer to Note 9, " Intangible Assets ," for further disclosure of the intangible assets related to this acquisition. The goodwill of $4.8 million represents the premium paid over the fair value of the net tangible and intangible assets acquired, which the Company paid to grow its portfolio of companies and acquire an assembled workforce. The goodwill is not deductible for tax purposes.

The following table summarizes the preliminary estimated allocation of the DDI assets acquired and liabilities assumed at the date of acquisition:

(in thousands)	October 26, 2023
Cash and cash equivalents	$ 124
Service fee receivable	522
Property and equipment, net	1,183
Right-of-use asset	145
Goodwill	4,762
Intangible asset not subject to amortization - trade name	260
Intangible asset subject to amortization - customer relationships	6,500
Other assets	7
Total assets	$ 13,503
Accrued expenses and other liabilities	$ 214
Income taxes payable	141
Lease liability	145
Net deferred income tax liabilities	2,013
Total liabilities	$ 2,513
Purchase price	$ 10,990

The consolidated statements of operations include the earnings of DDI from the date of acquisition. From the date of acquisition through December 31, 2023, DDI earned revenue of $0.9 million and had net income of $1.5 million, primarily related to a tax benefit recognized for the partial release of the Company's deferred tax valuation allowance related to the acquired deferred tax liabilities.

CSuite Financial Partners, LLC

On November 1, 2022, the Company acquired 100% of the outstanding equity interests of CSuite Financial Partners, LLC ("CSuite"). CSuite, based in Manhattan Beach, California, is a national financial executive services firm providing financial management leadership to companies in every industry, regardless of size, throughout the United States. As further discussed in Note 22, "Segmented Information," CSuite is included in the Kingsway Search Xcelerator segment. This acquisition was the Company's second acquisition under its novel CEO Accelerator program and further expands the Company's portfolio of businesses with recurring revenue and low capital intensity.

The Company acquired CSuite for aggregate cash consideration of approximately $8.5 million, less certain escrowed amounts for purposes of indemnification claims and working capital adjustments. The final purchase price was subject to a working capital true-up of less than $0.1 million that was settled during the first quarter of 2023. The Company will also pay additional contingent consideration, only to the extent earned, in an aggregate amount of up to $3.6 million, which is subject to certain conditions, including the successful achievement of certain financial metrics for CSuite during the three-year period commencing on the first full calendar month following the acquisition date. The estimated fair value of the contingent consideration obligation at December 31, 2023 and December 31, 2022 was zero.

This acquisition was accounted for as a business combination using the acquisition method of accounting. The purchase price was provisionally allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition and are were subject to adjustment during a measurement period subsequent to the acquisition date, not to exceed one-year as permitted under U.S. GAAP. The During the first quarter of 2023, the Company expects to complete finalized its purchase price allocation in early 2023. These estimates, allocations and calculations are subject to change as we obtain further information; therefore, the final fair values value analysis of the assets acquired and liabilities assumed could change from with the estimates included in these consolidated financial statements. assistance of a third party. No measurement period adjustments were recorded as a result of finalizing the fair value analysis.

Refer to Note 9, "Intangible Assets," for further disclosure of the intangible assets related to this acquisition. The goodwill of $4.1 million represents the premium paid over the fair value of the net tangible and intangible assets acquired, which the Company paid to grow its portfolio of companies and acquire an assembled workforce. The goodwill is not deductible for tax purposes. The estimated fair value of the contingent consideration obligation at the acquisition date of zero was determined using a Monte Carlo simulation based on forecasted future results.

The following table summarizes the preliminary e the estimated allocatistimated allocation on of the CSuite assets acquired and liabilities assumed at the date of acquisition:

(in thousands)		
		November 1, 2022
Cash and cash equivalents	$	569
Service fee receivable		311
Other receivables		21
Goodwill		4,109
Intangible asset not subject to amortization - trade name		1,500
Intangible asset subject to amortization - customer relationships		2,500
Other assets		53
Total assets	$	9,063
Accrued expenses and other liabilities	$	539
Total liabilities	$	539
Purchase price	$	8,524

The consolidated statements of operations include the earnings of CSuite from the date of acquisition. From the date of acquisition through December 31, 2022, CSuite earned revenue of $1.3 million and had a net loss of less than $0.1 million.

Secure Nursing Service, Inc.

On November 18, 2022, the Company acquired substantially all of the assets and assumed certain specified liabilities of Secure Nursing Service, Inc. ("SNS") for aggregate cash consideration of $11.5 million, less certain escrowed amounts for purposes of indemnification claims and working capital adjustments. SNS, based in Los Angeles, California, employs highly skilled and professional per diem and travel Registered Nurses, Licensed Vocational Nurses, Certified Nurse Assistants and Allied Healthcare Professionals with multiple years of acute care hospital experience. SNS places these healthcare professionals in both per diem assignments, and in short-term and long-term travel assignments in a variety of hospitals in southern California. As further discussed in Note 22, "Segmented Information," SNS is included in the Kingsway Search Xcelerator segment. This acquisition was the Company's third acquisition under its novel CEO Accelerator program and further expands the Company's portfolio of businesses with recurring revenue and low capital intensity.

This acquisition was accounted for as a business combination using the acquisition method of accounting. The purchase price was provisionally allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition and are were subject to adjustment during a measurement period subsequent to the acquisition date, not to exceed one-year as permitted under U.S. GAAP. The During the first quarter of 2023, the Company expects to complete finalized its purchase price allocation in early 2023. These estimates, allocations and calculations are subject to change as we obtain further information; therefore, the final fair values value analysis of the assets acquired and liabilities assumed could change from with the estimates included in these consolidated financial statements.assistance of a third party. No measurement period adjustments were recorded as a result of finalizing the fair value analysis.

Refer to Note 9, "Intangible Assets," for further disclosure of the intangible assets related to this acquisition. The goodwill of $1.6 million represents the premium paid over the fair value of the net tangible and intangible assets acquired, which the Company paid to grow its portfolio of companies and acquire an assembled workforce. The goodwill is not deductible for tax purposes.

The following table summarizes the preliminary estimated allocation of the SNS assets acquired and liabilities assumed at the date of acquisition:

(in thousands)		
		November 18, 2022
Service fee receivable	$	3,200
Goodwill		1,600
Intangible asset not subject to amortization - trade name		3,100
Intangible asset subject to amortization - customer relationships		3,600
Other assets		6
Total assets	$	11,506
Accrued expenses and other liabilities	$	6
Total liabilities	$	6
Purchase price	$	11,500

The consolidated statements of operations include the earnings of SNS from the date of acquisition. From the date of acquisition through December 31, 2022, SNS earned revenue of $2.4 million and had a net loss of $0.1 million.

Ravix Financial, Inc.

On October 1, 2021, the Company acquired 100% of the outstanding equity interests of Ravix Financial, Inc. ("Ravix"). Ravix, based in San Jose, California, provides outsourced financial services and human resources consulting for short or long duration engagements. As further discussed in Note 22, "Segmented Information," Ravix is included in the Kingsway Search Xcelerator segment, which was created as a result of the Ravix acquisition. This acquisition was the Company's first acquisition under its novel CEO Accelerator program and further expands the Company's portfolio of businesses with recurring revenue and low capital intensity.

The Company acquired Ravix for aggregate cash consideration of approximately $10.9 million, less certain escrowed amounts for purposes of indemnification claims. The final purchase price was subject to a working capital true-up of $0.1 million that was settled during the first quarter of 2022. The Company will also pay additional contingent consideration, only to the extent earned, in an aggregate amount of up to $4.5 million, which is subject to certain conditions, including the successful achievement of gross profit for Ravix during the three-year period commencing on the first full calendar month following the acquisition date. During 2022, Ravix made a cash earn-out payment of $0.8 million.

This acquisition was accounted for as a business combination using the acquisition method of accounting. The purchase price was provisionally allocated to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition and were subject to adjustment during a measurement period subsequent to the acquisition date, not to exceed one-year as permitted under U.S. GAAP. During the first quarter of 2022, the Company finalized its fair value analysis of the assets acquired and liabilities assumed with the assistance of a third-party. No measurement period adjustments were recorded as a result of finalizing the fair value analysis.

Refer to Note 9, "Intangible Assets," for further disclosure of the intangible assets related to this acquisition. The goodwill of $7.9 million represents the premium paid over the fair value of the net tangible and intangible assets acquired, which the Company paid to grow its portfolio of companies and acquire an assembled workforce. The goodwill is not deductible for tax purposes. The estimated fair value of the contingent consideration obligation at the acquisition date of $2.2 million was determined using a Monte Carlo simulation based on forecasted future results. See Note 23, "Fair Value of Financial Instruments,"for further discussion related to the contingent consideration.

The following table summarizes the purchase price of Ravix:

(in thousands)		
Purchase price:		October 1, 2021
Cash paid at closing	$	10,930
Working capital adjustment		83
Contingent consideration		2,195
Total purchase price	$	13,208

The following table summarizes the estimated allocation of the Ravix assets acquired and liabilities assumed at the date of acquisition:

(in thousands)		
		October 1, 2021
Cash and cash equivalents	$	225
Restricted cash		752
Service fee receivable		1,031
Other receivables		17
Right-of-use asset		116
Goodwill		7,905
Intangible asset subject to amortization - customer relationships		4,000
Intangible asset not subject to amortization - trade name		2,500
Other assets		133
Total assets	$	16,679
Accrued expenses and other liabilities	$	1,546
Income taxes payable		13
Lease liability		116
Net deferred income tax liabilities		1,796
Total liabilities	$	3,471
Purchase price	$	13,208

The consolidated statements of operations include the earnings of Ravix from the date of acquisition. From the date of acquisition through December 31, 2021, Ravix earned revenue of $3.5 million and had a net loss of $0.2 million.

PWI Holdings, Inc.

On December 1, 2020, the Company acquired 100% of the outstanding shares of PWI Holdings, Inc. This acquisition was accounted for as a business combination using the acquisition method of accounting. The purchase price was provisionally allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition and were subject to adjustment during a measurement period subsequent to the acquisition date, not to exceed one-year as permitted under U.S. GAAP. During the third quarter of 2021, the Company finalized its fair value analysis of the assets acquired and liabilities assumed with the assistance of a third-party.

The Company records measurement period adjustments in the period in which the adjustments occur. During the third quarter of 2021, the Company recorded a cumulative net measurement period adjustment of $18.8 million compared to the amount recorded at December 31, 2020. The measurement period adjustments reflected changes in the estimated fair values of certain assets and liabilities, and the working capital true-up.

The measurement period adjustments resulted in an increase in amortization expense of $1.9 million related to the customer relationships intangible asset and a decrease to service fee and commission revenue of $1.9 million, both of which were recorded during the third quarter of 2021.

Unaudited Pro Forma Summary

The following unaudited pro forma summary presents the Company's consolidated financial statements for the year ended December 31, 2022 2023 and December 31, 2021 2022 as if DDI, CSuite SNS and Ravix SNS had been acquired on January 1 of the year prior to the acquisitions. The pro forma summary is presented for illustrative purposes only and does not purport to represent the results of our operations that would have actually occurred had the acquisitions occurred as of the beginning of the period presented or project our results of operations as of any future date or for any future period, as applicable. The pro forma results primarily include purchase accounting adjustments related to the acquisitions of DDI, CSuite SNS and Ravix, SNS, interest expense and the amortization of debt issuance costs and discount discounts associated with the related financing obtained in connection with the DDI, CSuite SNS and Ravix SNS acquisitions (see Note 12, "Debt"), tax related adjustments and acquisition-related expenses.

(in thousands, except per share data)	Years ended December 31,	
	2022	2021
Revenues	$ 121,789	$ 113,342
Income (loss) from continuing operations attributable to common shareholders	$ 35,009	$ (4,439)
Basic earnings (loss) per share - continuing operations	$ 1.52	$ (0.20)
Diluted earnings (loss) per share - continuing operations	$ 1.40	$ (0.20)

(b) Asset Acquisition

VA Lafayette, LLC (formerly RoeCo Lafayette, LLC)

On December 30, 2021, the Company acquired 100% The pro forma effects of the outstanding membership interests of RoeCo Lafayette, LLC ("RoeCo") from a current holder of SPI acquisition are not material to the Company's Preferred Shares, for cash consideration of approximately $2.4 million. Refer to Note 24, "Related Parties," for further disclosure. In 2022, RoeCo changed its name to VA Lafayette, LLC ("VA Lafayette"). VA Lafayette owns real property consisting of approximately 6.5 acres and a 29,224 square foot single-tenant medical office building located in the State of Louisiana (the "LA Real Property"). The LA Real Property serves as a medical and dental clinic for the Department of Veteran Affairs and is subject to a long-term lease. The LA Real Property is also subject to a mortgage in the principal amount of $13.5 million (the "LA Mortgage") at the date of acquisition plus a premium of $3.5 million.

The acquisition was accounted for as an asset acquisition as substantially all the fair value of the gross assets acquired is concentrated in a single asset comprised of land, building and improvements. The total purchase price, including the transaction costs, was allocated to the individual net assets acquired based on their relative fair values. In connection with the acquisition, the Company recorded an above-market lease intangible asset of $0.8 million and in-place and other lease intangible assets of $2.1 million.

The following table summarizes the allocation of the purchase price to the net assets of VA Lafayette at the date of acquisition:

(in thousands)		
Purchase price:		December 30, 2021
Cash	$	2,386
Acquisition costs		249
Liabilities assumed		16,983
Total purchase price	$	19,618
Fair value of net assets acquired:		December 30, 2021
Cash and cash equivalents	$	365
Other receivables		133
Property and equipment, net		16,466
Intangible asset subject to amortization - Above-market lease		835
Intangible asset subject to amortization - In-place and other lease assets		2,114
Accrued expenses and other liabilities		(50)
Net deferred income tax liabilities		(245)
Total fair value of net assets acquired	$	19,618

Since VA Lafayette was acquired on December 30, 2021, the consolidated statement statements of operations for the year years ended December 31, 2021 2023 did and not December 31, 2022 include any revenue or earnings of VA Lafayette, as such items are immaterial. .

During the fourth quarter of 2022, the Company began executing a plan to sell VA Lafayette, and as a result, VA Lafayette is reported as held for sale. Further information is contained in Note 5, "Disposal and Discontinued Operations" to the consolidated financial statements.

(in thousands, except per share data)	Years ended December 31,			
		2023		2022
Revenues	$	107,188	$	125,510
Income from continuing operations attributable to common shareholders	$	24,593	$	33,614
Basic earnings per share - continuing operations	$	0.96	$	1.46
Diluted earnings per share - continuing operations	$	0.93	$	1.34

NOTE 5 DISPOSAL AND DISCONTINUED OPERATIONS

(a) Disposal

Professional Warranty Service Corporation

On July 29, 2022, Professional Warranty Services LLC ("PWS LLC"), a subsidiary of the Company entered into an Equity Purchase Agreement (the "Agreement") with Professional Warranty Service Corporation ("PWSC"), an 80% majority-owned, indirect subsidiary of the Company, Tyler Gordy, the president of PWSC and a 20% owner of PWSC ("Gordy") and PCF Insurance Services of the West, LLC ("Buyer"), pursuant to which PWS LLC and Gordy sold PWSC to Buyer.

The purchase price paid by Buyer to PWS LLC and Gordy consisted of $51.2 million in base purchase price, subject to customary adjustments for net working capital, and non-compensation related transaction expenses of approximately $1.7 million. As a result of the sale, the Company incurred compensation expenses of $5.4 million, primarily related to previously-granted awards to PWSC employees that are accounted for on a fair value basis, which are included in disposal of subsidiary transaction expenses in the consolidated statement of operations for the year ended December 31, 2022.

To the extent the EBITDA of PWSC (as defined in the Agreement) for the one-year period following the sale transaction exceeds 103% of the EBITDA at the closing of the sale transaction (the "Closing EBITDA"), PWS LLC and Gordy will also be entitled to receive an earnout payment in an amount equal to five times the EBITDA in excess of 103% of Closing EBITDA. The Company does not have access to the information needed to reasonably estimate has estimated the potential earnout payment and accordingly any gain related to the earnout payment will be recorded in the period the consideration is determined to be realizable.zero as of December 31, 2023.

As a result of the sale, the Company recognized a net gain on disposal of $37.9 million, net of direct selling costs of $1.7 million, during the year ended December 31, 2022. The sale of PWSC did not represent a strategic shift that would have a major effect on the Company's operations or financial results; therefore, PWSC is not presented as a discontinued operation. The earnings of PWSC, which is was included in the Extended Warranty segment, are included in the consolidated statements of operations through the July 29, 2022 disposal date. The assets, liabilities and equity (including the non-controlling interest) of PWSC were deconsolidated effective July 29, 2022.

The sale of PWSC represents the disposal of a significant subsidiary of the Company, that had contributions to Extended Warranty service fee and commission revenue of $4.9 million and $8.0 4.9 million for the years year ended December 31, 2022and December 31, 2021., respectively. Additionally, PWSC had a pre-tax loss of $5.5 million for the year ended December 31, 2022and pre-tax income, of $0.6 million for the for the year ended December 31, 2021which. For the years ended December 31, 2022 and December 31, 2021, pre-tax loss of $4.4 million and pre-tax income of $0.5 million was attributable to the controlling interest, respectively. interest. At the July 29, 2022 disposal date, PWSC had service fee receivables totaling $0.7 million, intangible assets, net of $2.3 million, deferred service fees of $7.6 million and a non-controlling interest of ($2.2) million.

As a result of the sale, the Company incurred additional compensation expenses of $5.4 million that are included in disposal of subsidiary transaction expenses in the consolidated statement of operations for the for During the year ended December 31, 2022 2023., the Company recorded an additional gain on disposal of PWSC of $0.3 million related to working capital adjustments and release of escrowed amounts withheld for purposes of indemnification claims.

(b) Discontinued Operations

Leased Real Estate Segment

The Company's subsidiaries, VA Lafayette and CMC Industries Inc. ("CMC"), which includes CMC's subsidiaries Texas Rail Terminal LLC and TRT Leaseco, LLC ("TRT"), comprised the Company's entire Leased Real Estate segment. Each of CMC, through indirect wholly owned subsidiary, TRT, and VA Lafayette own a single asset, which is real estate property. As further described below, on December 29, 2022, TRT sold its assets and at December 31, 2022, VA Lafayette was classified as held for sale.

In accordance with ASU No. 2014-08, *Reporting of Discontinued Operations and Disclosures of Disposals of Components of an Entity,* a disposal is categorized as a discontinued operation if the disposal group is a component of an entity or group of components that meets the held for sale criteria, is disposed of by sale, or is disposed of other than by sale, and represents a strategic shift that has or will have a major effect on an entity's operations and financial results.

Leased Real Estate is a component of Kingsway since its operations and cash flows can be clearly distinguished, both operationally and for financial reporting purposes, from the rest of the reporting entity. A component of an entity may consist of multiple disposal groups and does not need to be disposed of in a single transaction. The disposal of the Leased Real Estate segment represents a strategic shift that will have a major effect on the Company's operations and financial results, as the disposal of the Leased Real Estate assets is in excess of 20% of the entity's total assets. As a result, the assets, liabilities, operating results and cash flows related to Leased Real Estate have been classified as discontinued operations in the consolidated financial statements for all periods presented.

Sale of CMC Real Property

CMC owned, through its indirect wholly owned subsidiary, TRT, a parcel of real property consisting of approximately 192 acres located in the State of Texas (the "Real Property"), which is was subject to a long-term triple net lease agreement. The Real Property is was also subject to two mortgages (the "Mortgages").

On December 22, 2022, TRT entered into a Purchase and Sale Agreement (the "CMC Agreement") with BNSF Dayton LLC ("Purchaser"), pursuant to which TRT agreed to sell to the Purchaser the Real Property. TRT was also the landlord and an affiliate of the Purchaser was the current tenant under the long-term triple net lease over the Real Property. Under the terms of the CMC Agreement, at the closing on December 29, 2022, TRT assigned, and the Purchaser assumed, the rights and obligations of the landlord under the existing long-term triple net lease.

The purchase price paid by the Purchaser at the closing consisted of $44.5 million in cash plus the assumption of the unpaid principal balance as of the closing of the Mortgages of approximately $170.7 million, netting cash proceeds of $21.4 million to Kingsway after taxes, fees and distribution to the minority shareholder. The Company recognized a gain on disposal of CMC of $0.2 million which is included in loss on disposal of discontinued operations, net of taxes in the consolidated statement of operations for the year ended December 31, 2022.

As discussed above, CMC and TRT are part of the Leased Real Estate disposal group. The sale of the Leased Real Estate's assets represents a strategic shift that will have a major effect on the Company's operations and financial results. As a result, CMC and its subsidiaries, have been classified as a discontinued operation and the results of their operations are reported separately for all periods presented. The assets and liabilities of CMC are presented as discontinued operations in the consolidated balance sheet at December 31, 2021.

VA Lafayette

During the fourth quarter of 2022, the Company began executing a plan to sell its subsidiary, VA Lafayette. VA Lafayette owns the LA Real Property, that is subject to a long-term lease and the LA Mortgage. During the first quarter of 2024, the Company entered into a letter of intent for the sale of VA Lafayette. As part of recognizing the business as held for sale, the Company is required to measure VA Lafayette at the lower of its carrying amount or fair value less cost to sell. As a result of this analysis, during the fourth quarter of 2023, the Company recognized an estimated non-cash, loss on disposal of $2.0 million, which is included in loss on disposal of discontinued operations, net of taxes in the consolidated statements of operations. The loss is a result of adjusting the net carrying value of VA Lafayette to be equal to the estimated selling price and was determined by comparing the expected cash consideration received for the sale of VA Lafayette with the net assets of VA Lafayette.

As discussed above, VA Lafayette is part of the Leased Real Estate disposal group. In conjunction with the sale of the CMC Real Property, the sale of the Leased Real Estate's assets represents a strategic shift that will have a major effect on the Company's operations and financial results. As a result, VA Lafayette has been classified as a discontinued operation and the results of its operations are reported separately for all periods presented. The assets and liabilities of VA Lafayette are presented as held for sale in the consolidated balance sheets at December 31, 2022 2023 and December 31, 2021 2022.

Summary financial information for Leased Real Estate included in income (loss) income from discontinued operations, net of taxes in the statements of operations for the years ended December 31, 2022 2023 and December 31, 2021 2022 is presented below:

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
(Loss) income from discontinued operations, net of taxes:				
Revenues:				
Rental revenue	$ 14,567	$ 13,365	$ 1,251	$ 14,567
Total revenues	14,567	13,365	1,251	14,567
Expenses:				
Cost of services sold	204	—	199	204
General and administrative expenses	20,778	3,488	254	20,778
Leased real estate segment interest expense	6,387	6,164	361	6,387
Non-operating other (expense) revenue	154	2,804		
Non-operating other (revenue) expense			(13)	154
Amortization of intangible assets	206	63	—	206
Total expenses	27,729	12,519	801	27,729
(Loss) income from discontinued operations before income tax benefit	(13,162)	846		
Income (loss) from discontinued operations before income tax benefit			450	(13,162)
Income tax benefit	(357)	(3,728)	—	(357)
(Loss) income from discontinued operations, net of taxes	$ (12,805)	$ 4,574		
Income (loss) from discontinued operations, net of taxes			$ 450	$ (12,805)

For the years ended December 31, 2022 2023 and December 31, 2021 2022, pre-tax loss from discontinued operations of $10.7 million and pre-tax income from discontinued operations of $0.7 $0.5 million and pre-tax loss of $10.7 million was attributable to the controlling interest, respectively.

The assets and liabilities of Leased Real Estate are presented as held for sale and as discontinued operations in the consolidated balance sheets at December 31, 2022 and December 31, 2021.

The carrying amounts of the major classes of assets and liabilities of Leased Real Estate presented as held for sale at December 31, 2022 2023 and December 31, 2021 2022 are as follows:

(in thousands)	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	$ 570	$ 365
Other receivables, net	—	133
Property and equipment, net	16,160	16,466
Intangible assets, net	2,748	2,949
Assets held for sale	$ 19,478	$ 19,913
Liabilities		
Accrued expenses and other liabilities	$ 473	$ 52
Notes payable	16,112	16,983
Liabilities held for sale	$ 16,585	$ 17,035

The carrying amounts of the major classes of assets and liabilities of Leased Real Estate presented as discontinued operations at December 31, 2021 are as follows:

(in thousands)	December 31, 2021	December 31, 2023	December 31, 2022
Assets			
Cash and cash equivalents	$ 2,193	$ 612	$ 570

Other receivables, net	9,733		
Property and equipment, net	91,019	16,171	16,160
Goodwill	60,983		
Intangible assets, net	74,448	2,748	2,748
Other assets	11,096		
Assets of discontinued operations	$ 249,472		
Loss on write-down of disposal group		(1,779)	—
Assets held for sale		$ 17,752	$ 19,478
Liabilities			
Accrued expenses and other liabilities	$ 2,596	$ 885	$ 473
Notes payable	181,631	15,229	16,112
Liabilities of discontinued operations	$ 184,227		
Liabilities held for sale		$ 16,114	$ 16,585

Mendota Insurance Company, Mendakota Insurance Company and Mendakota Casualty Company

As part of the October 18, 2018 transaction to sell Mendota Insurance Company, Mendakota Insurance Company and Mendakota Casualty Company (collectively "Mendota"), the Company will indemnify the buyer for any loss and loss adjustment expenses with respect to open claims in excess of Mendota's carried unpaid loss and loss adjustment expenses at June 30, 2018 related to the open claims. The maximum obligation to the Company with respect to the open claims is $2.5 million. Per the purchase agreement, a security interest on the Company’s equity interest in its consolidated subsidiary, Net Lease, as well as any distributions to the Company from Net Lease, was to be collateral for the Company’s payment of obligations with respect to the open claims.

During the third quarter of 2021, the purchasers of Mendota and the Company agreed to release the Company's equity interest in Net Lease as collateral and allow Net Lease to make distributions to the Company. In exchange, the Company agreed to deposit $2.0 million into an escrow account and advance $0.5 million to the purchaser of Mendota to satisfy the Company's payment obligation with respect to the open claims.

During the third quarter of 2022, the buyer provided to the Company an analysis of the claims development that indicated that the Company's potential exposure with respect to the open claims was at the maximum obligation amount. Previous communications from the buyer noted no such development and the buyer was not obligated to provide development information to the Company until the first quarter of 2023. As a result of the newly provided information, the Company recorded a liability of $2.5 million, which is included in accrued expenses and other liabilities in the consolidated balance sheet at December 31, 2022and loss on disposal of discontinued operations, net of taxes in the consolidated statement of operations for the year ended December 31, 2022 2022. . There were no payments made by the Company related to the open claims during the years year ended December 31, 2022 2022. and December 31, 2021. During the first quarter of 2023, the $2.0 million that had been previously deposited into an escrow account was released and remitted to the buyer to satisfy the Company's payment with respect to the open claims. The Company has no remaining exposure with respect to the open claims.

Summary

Loss on disposal of discontinued operations, net of taxes, related to Leased Real Estate and Mendota, in the statements of operations for the years ended December 31, 2022 2023 and December 31, 2021 2022 is comprised on of the following:

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Loss on disposal of discontinued operations before income tax benefit	(26,751)	—	(1,988)	(26,751)
Income tax benefit	(24,489)	—	—	(24,489)
Loss on disposal of discontinued operations, net of taxes	$ (2,262)	$ —	$ (1,988)	$ (2,262)

NOTE 6 VARIABLE INTEREST ENTITIES

(a) Consolidated VIEs

Argo Holdings Fund I, LLC

The Company holds a 43.4% investment in Argo Holdings at December 31, 2022 2023 and December 31, 2021 2022. Argo Holdings makes investments, primarily in established lower middle market companies based in North America, through investments in search funds. The managing member of Argo Holdings is Argo Management Group, LLC ("Argo Management"), a wholly owned subsidiary of the Company. Argo Holdings is considered to be a VIE as the members holding equity at risk lack characteristics of a controlling financial interest. The Company holds a variable interest in Argo Holdings due to its right to absorb significant economics in Argo Holdings and through its controlling interest in Argo Management, through which the Company holds the power to direct the significant activities of Argo Holdings. As such, the Company was the primary beneficiary of Argo Holdings and consolidated Argo Holdings at December 31, 2022 2023 and December 31, 2021 2022.

Net Lease Investment Grade Portfolio, LLC

The Company holds held a 71.0% investment in Net Lease at December 31, 2022and December 31, 2021. Net Lease holds distributed its remaining net assets and was dissolved during the fourth quarter of 2023. At December 31, 2022 Net Lease held one commercial property under a triple net lease. The current property is lease, which was encumbered by a mortgage loan. The property was sold during the first quarter of 2023.Net Lease is was considered to be a VIE as the members holding equity at risk lack characteristics of a controlling financial interest. The Company holds held a variable interest in Net Lease due to its right to absorb significant economics in Net Lease and to control the management decisions of Net Lease, which allows allowed the Company to hold the power to direct the significant activities of Net Lease. As such, the Company is was the primary beneficiary of Net Lease and consolidated Net Lease at December 31, 2022and December 31, 2021.

The following table summarizes the assets and liabilities related to VIEs consolidated by the Company at December 31, 2022 2023 and December 31, 2021 2022:

(in thousands)		December 31,		December 31,
	2022	2021	2023	2022
Assets				
Limited liability investments, at fair value	$ 17,059	$ 18,826	$ 3,496	$ 17,059
Cash and cash equivalents	573	944	270	573
Accrued investment income	829	716	527	829
Total Assets	18,461	20,486	4,293	18,461
Liabilities				
Accrued expenses and other liabilities	333	250	289	333
Total Liabilities	$ 333	$ 250	$ 289	$ 333

No arrangements exist requiring the Company to provide additional funding to the consolidated VIEs in excess of the Company's unfunded commitments to its consolidated VIEs. At December 31, 2022 2023 and December 31, 2021 2022, the Company had no unfunded commitments. There are no restrictions on assets consolidated by these VIEs. There are no structured settlements of liabilities consolidated by these VIEs. Creditors have no recourse to the general credit of the Company as the primary beneficiary of these VIEs.

(b) Non-Consolidated VIEs

The Company's investments include certain non-consolidated investments, primarily in limited liability companies and limited partnerships in which the Company holds variable interests, that are considered VIEs due to the legal entities holding insufficient equity; the holders of equity at risk in the legal entities lacking controlling financial interests; and/or the holders of equity at risk having non-proportional voting rights.

The Company's risk of loss associated with its non-consolidated VIEs is limited and depends on the investment. Limited liability investments accounted for under the equity method are limited to the Company's initial investments. At December 31, 2022 2023 and December 31, 2021 2022, the Company had no unfunded commitments to its non-consolidated VIEs.

The following table summarizes the carrying value and maximum loss exposure of the Company's non-consolidated VIEs at December 31, 2022 2023 and December 31, 2021 2022:

(in thousands)		December 31,		December 31,
	2022	2021	2023	2022
	Maximum Loss	Maximum Loss	Maximum Loss	Maximum Loss

	Carrying Value	Exposure	Carrying Value	Exposure	Carrying Value	Exposure	Carrying Value	Exposure
Investments in non-consolidated VIEs	$ 940	$ 940	$ 1,514	$ 1,514	$ 854	$ 854	$ 940	$ 940

The following table summarizes the Company's non-consolidated VIEs by category at December 31, 2022 2023 and December 31, 2021 2022:

(in thousands)	December 31,				December 31,			
	2022		2021		2023		2022	
	Carrying Value	Percent of total	Carrying Value	Percent of total	Carrying Value	Percent of total	Carrying Value	Percent of total
Investments in non-consolidated VIEs:								
Real estate related	$ —	— %	$ 628	41.5 %				
Non-real estate related	940	100.0 %	886	58.5 %	854	100.0 %	940	100.0 %
Total investments in non-consolidated VIEs	$ 940	100.0 %	$ 1,514	100.0 %	$ 854	100.0 %	$ 940	100.0 %

The following table presents aggregated summarized financial information of the Company's non-consolidated VIEs at December 31, 2022 2023 and December 31, 2021 2022. For certain of the non-consolidated VIEs, the financial information is presented on a lag basis, consistent with how the changes in the Company's share of the net asset values of these equity method investees are recorded in net investment income. The difference between the end of the reporting period of an equity method investee and that of the Company is typically no more than three months.

(in thousands)	December 31,		December 31,	
	2022	2021	2023	2022
Assets	$ 241,050	$ 283,432	$ 222,249	$ 241,050
Liabilities	$ 330,470	$ 299,340	$ 313,573	$ 330,470
Equity	$ (89,420)	$ (15,908)	$ (91,324)	$ (89,420)

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(in thousands)	December 31,		December 31,	
	2022	2021	2023	2022
Net income	$ 16,330	$ 18,647	$ 8,306	$ 16,330

NOTE 7 INVESTMENTS

The amortized cost, gross unrealized gains and losses included in accumulated other comprehensive (loss) income, and estimated fair value of the Company's available-for-sale investments at December 31, 2022 2023 and December 31, 2021 2022 are summarized in the tables shown below:

(in thousands)	December 31, 2022				December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities:								
U.S. government, government agencies and authorities	$ 15,797	$ —	$ 717	$ 15,080	$ 13,384	$ 8	$ 395	$ 12,997
States, municipalities and political subdivisions	2,390	—	158	2,232	2,885	3	105	2,783

Mortgage-backed	9,058	1	647	8,412	9,724	23	494	9,253
Asset-backed	1,682	—	72	1,610	1,254	1	45	1,210
Corporate	11,200	1	944	10,257	10,860	18	648	10,230
Total fixed maturities	$ 40,127	$ 2	$ 2,538	$ 37,591	$ 38,107	$ 53	$ 1,687	$ 36,473

(in thousands)				December 31, 2021				December 31, 2022
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Fixed maturities:								
U.S. government, government agencies and authorities	$ 16,276	$ 31	$ 84	$ 16,223	$ 15,797	$ —	$ 717	$ 15,080
States, municipalities and political subdivisions	1,880	3	5	1,878	2,390	—	158	2,232
Mortgage-backed	7,679	18	68	7,629	9,058	1	647	8,412
Asset-backed	449	—	4	445	1,682	—	72	1,610
Corporate	9,605	15	129	9,491	11,200	1	944	10,257
Total fixed maturities	$ 35,889	$ 67	$ 290	$ 35,666	$ 40,127	$ 2	$ 2,538	$ 37,591

The table below summarizes the Company's fixed maturities at December 31, 2022 2023 by contractual maturity periods. Actual results may differ as issuers may have the right to call or prepay obligations, with or without penalties, prior to the contractual maturity of these obligations.

(in thousands)		December 31, 2022		December 31, 2023
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 7,163	$ 7,034	$ 6,021	$ 5,922
Due after one year through five years	26,317	24,628	26,223	25,155
Due after five years through ten years	2,239	1,982	1,144	1,067
Due after ten years	4,408	3,947	4,719	4,329
Total	$ 40,127	$ 37,591	$ 38,107	$ 36,473

The following tables highlight the aggregate unrealized loss position, by security type, of available-for-sale investments in unrealized loss positions where no credit loss allowance had been established as of December 31, 2022 2023 and December 31, 2021 2022. The tables segregate the holdings based on the period of time the investments have been continuously held in unrealized loss positions.

(in thousands)						December 31, 2023
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Fixed maturities:						
U.S. government, government agencies and authorities	$ 3,237	$ 46	$ 7,940	$ 349	$ 11,177	$ 395
States, municipalities and political subdivisions	—	—	1,705	105	1,705	105

Mortgage-backed	737	11	6,067	483	6,804	494
Asset-backed	—	—	1,050	45	1,050	45
Corporate	937	11	8,013	637	8,950	648
Total fixed maturities	$ 4,911	$ 68	$ 24,775	$ 1,619	$ 29,686	$ 1,687

(in thousands)						December 31, 2022
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Fixed maturities:						
U.S. government, government agencies and authorities	$ 4,543	$ 126	$ 10,537	$ 591	$ 15,080	$ 717
States, municipalities and political subdivisions	1,040	73	937	85	1,977	158
Mortgage-backed	2,248	93	5,756	554	8,004	647
Asset-backed	1,251	39	299	33	1,550	72
Corporate	3,244	155	6,760	789	10,004	944
Total fixed maturities	$ 12,326	$ 486	$ 24,289	$ 2,052	$ 36,615	$ 2,538

(in thousands)						December 31, 2021
	Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Fixed maturities:						
U.S. government, government agencies and authorities	$ 12,077	$ 84	$ —	$ —	$ 12,077	$ 84
States, municipalities and political subdivisions	846	5	—	—	846	5
Mortgage-backed	5,388	68	—	—	5,388	68
Asset-backed	445	4	—	—	445	4
Corporate	7,542	129	—	—	7,542	129
Total fixed maturities	$ 26,298	$ 290	$ —	$ —	$ 26,298	$ 290

There At December 31, 2023, there are approximatel approximately y 181208 and 138 individual available-for-sale investments that were in unrealized loss positions, as for which an allowance for credit losses had not been recorded. The Company did not have the intent to sell these investments, and it was not more likely than not that the Company would be required to sell these investments before recovery of its amortized cost. The Company evaluated these investments for credit losses at December 31, 2023. The Company considers many factors in evaluating whether the unrealized losses were credit-related, including, but not limited to, the extent to which the fair value has been less than amortized cost, conditions related to the security, industry, or geographic area, payment structure of the investment and the likelihood of the issuer's ability to make contractual cashflows, defaults or other collectability concerns related to the issuer, changes in the ratings assigned by a rating agency, and other credit enhancements that affect the investment's expected performance. The Company determined that the unrealized losses on the fixed maturity investments were due to non-credit related factors at December 31, 2023.

At December 31, 2022and December 31, 2021, respectively.

The establishment there are approximately 208 individual available-for-sale investments that were in unrealized loss positions. Prior to the adoption of an other-than-temporary impairment on an investment requires a number of judgments and estimates. The ASU 2016-13, the Company performs a quarterly performed an analysis of the individual investments to determine if declines in market value are were other-than-temporary. Refer to "Significant Accounting Policies and Critical Estimates" section of Management's Discussion & Analysis for further information regarding the Company's detailed analysis and factors considered in establishing an other-than-temporary impairment on an investment.

As a result of the analysis performed by the Company to determine declines in market value that are other-than-temporary, the Company did not record any write-downs for other-than-temporary impairment related to available-for sale investments, limited liability investments, investments in private companies and other investments for the years ended December 31, 2022 and December 31, 2021.

The Company has reviewed currently available information, regarding including, but not limited to, the credit ratings of the issuers of the investments in the fixed maturities with estimated fair values less than their carrying amounts and believes these unrealized losses are not other-than-temporary and are primarily due to temporary market and sector-related factors rather than to issuer-specific factors. The Company does did not intend have the intent to sell those these investments, and it is was not more likely it will than not that the Company would be required to sell those investments before recovery of its amortized cost.

The establishment of an impairment loss on an investment requires a number of judgments and estimates. The Company performs a quarterly analysis of the individual investments for factors that may indicate a decline in fair value below its cost, amortized cost or modified cost. Refer to the "Significant Accounting Policies and Critical Estimates" section of Management's Discussion & Analysis for further information regarding the Company's detailed analysis and factors considered in recording an impairment loss on an investment. The Company did not record any write-downs for impairment related to available-for-sale fixed maturity investments for the years ended December 31, 2023 and December 31, 2022.

The Company does not have any exposure to subprime mortgage-backed investments.

As of December 31, 2022 2023 and December 31, 2021 2022, the carrying value of limited liability investments totaled $1.0 0.8 million and $1.9 1.0 million, respectively. The Company recorded impairments related to limited liability investments of $0.1 million and zero for the years ended December 31, 2023 and December 31, 2022, respectively, which are included in impairment losses in the consolidated statements of operations. At December 31, 2022 2023, the Company has no unfunded commitments related to limited liability investments.

Limited liability investments, at fair value represents the underlying investments of the Company's consolidated entities Argo Holdings and Net Lease and Argo Holdings. (at December 31, 2022 only). As of December 31, 2022 2023 and December 31, 2021 2022, the carrying value of the Company's limited liability investments, at fair value was $17.1 million $3.5 million and $18.8 $17.1 million, respectively. The Company recorded impairments related to limited liability investments, at fair value of $0.1 million and less than $0.1 million and $0.1 million for the years ended December 31, 2022 2023 and December 31, 2021 2022, respectively, which are included in gain (loss) gain on change in fair value of limited liability investments, at fair value in the consolidated statements of operations. At December 31, 2022 2023, the Company has no unfunded commitments related to limited liability investments, at fair value.

The Company consolidates consolidated the financial statements of Net Lease on a three-month lag. Net Lease owns owned investments in limited liability companies that hold held investment properties.

- During 2021,one of Net Lease's limited liability companies sold their investment property for $14.3 million. A portion of the proceeds from the sale were distributed to Net Lease. As a result of the distribution, Net Lease recorded a gain of $0.8 million related to its investment in the limited liability company, with an offsetting change in unrealized gain of $0.8 million, which collectively are included in net investment income in the consolidated statement of operations for the year ended December 31, 2021.
- During the fourth quarter of 2020, 2022, one of Net Lease's limited liability companies sold refinanced their investment property. As a result existing debt. Debt proceeds of the three-month lag, the Company recorded this transaction in its first quarter 2021 financial statements. A portion of the proceeds from the sale $5.2 million were distributed to Net Lease, who used them primarily to repay their $9.0 million mezzanine loan. As a result of the distribution, which decreased Net Lease recorded a gain of $1.2 million related to its Lease's investment in the limited liability company, with an offsetting change in unrealized gain which the Company recorded during the first quarter of $1.2 million, which collectively are included in net investment income in the consolidated statement of operations for the for the year ended December 31, 2021. 2023.
- During the first quarter of 2023,Net Lease sold its final investment property for $15.8 million. Net Lease received net proceeds of $8.1 million after the repayment of debt at the limited liability company and transaction expenses.
- As a result of the sale and subsequent distribution of the net proceeds, the carrying value of Net Lease's investments in limited liability companies is zero at February December 31, 2023.

As of December 31, 2022 2023 and December 31, 2021 2022, the carrying value of the Company's investments in private companies totaled $0.9 million and $0.8 million. For the years ended December 31, 2022 2023 and December 31, 2021 2022, the Company did not record any recorded adjustments of $0.1 million and zero, respectively, to increase the fair value of its certain investments in private companies for observable price changes. changes, which are included in unrealized gain on private company investments in the consolidated statements of operations.

The Company performs a quarterly impairment analysis of its investments in private companies. As a result of the analysis performed, the Company did not record any impairments related to investments in private companies for the years ended December 31, 2022 2023 and December 31, 2021 2022.

Real estate investments represent represented investment real estate properties held by the Company's consolidated subsidiary, Flower. As of December 31, 2022 and December 31, 2021, the carrying value of the Company's real estate investments was zero and $10.7 million, respectively. The Company consolidates the financial statements of Flower on a three-month lag. On September 29, 2022, Flower sold their investment real estate properties for $12.2 million. A portion of the proceeds from the sale were used to repay the Flower note payable with an unpaid principal balance of $5.9 million at the transaction date. Flower recorded a gain of $1.5 million related to the sale, which is included in gain on change in fair value of real estate investments in the consolidated statement of operations for the year ended December 31, 2022 2022. .

Net investment income for the years ended December 31, 2022 2023 and December 31, 2021 2022, respectively, is comprised as follows:

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Investment income				
Interest from fixed maturities	$ 556	$ 242	$ 1,018	$ 556
Dividends	159	125	97	159
Income from limited liability investments	293	27		
(Loss) income from limited liability investments			(44)	293
Income from limited liability investments, at fair value	4	106	—	4
Income from real estate investments	795	800	—	795
Other	612	364	839	612
Gross investment income	2,419	1,664	1,910	2,419
Investment expenses	(114)	(89)	(106)	(114)
Net investment income	$ 2,305	$ 1,575	$ 1,804	$ 2,305

Gross Net realized gains and losses on available-for-sale investments limited liability investments, limited liability investments, at fair value and investments in private companies for the years ended December 31, 2022 2023 and December 31, 2021 2022 is are comprised as follows:

(in thousands)	Years ended December 31,	
	2022	2021
Gross realized gains	$ 1,648	$ 1,917
Gross realized losses	(439)	(108)
Net realized gains	$ 1,209	$ 1,809

(in thousands)	Years ended December 31,	
	2023	2022
Available-for-sale fixed maturities:		
Gross realized gains	$ 9	$ 2
Gross realized losses	(6)	(25)
Net realized gains (losses) on available-for-sale fixed maturities	3	(23)
Limited liability investments	238	366
Limited liability investments, at fair value	481	608
Investments in private companies	39	258
Net realized gains	$ 761	$ 1,209

(Loss) Net gain (loss) on change in fair value of equity investments for the years ended December 31, 2022 2023 and December 31, 2021 2022 is comprised as follows:

(in thousands)	Years ended December 31,	
	2022	2021
Net gain recognized on equity investments sold during the period	$ —	$ 13
Change in unrealized losses on equity investments held at end of the period	(26)	(255)
Loss on change in fair value of equity investments	$ (26)	$ (242)

(in thousands)	Years ended December 31,

	2023	2022
Net gains recognized on equity investments sold during the period	$ 3,383	$ —
Change in unrealized gains (losses) on equity investments held at end of the period	14	(26)
Net gain (loss) on equity investments	$ 3,397	$ (26)

Prior to the second quarter of 2023, the Company held 400,000 warrants in Limbach Holdings, Inc. ("Limbach"). During the first quarter of 2023, the underlying common stock price of Limbach increased, resulting in an increase in the fair value of the warrants held at March 31, 2023. During the second quarter of 2023, the Company completed a cashless exercise of its Limbach warrants and received 110,036 shares of Limbach common stock. During the third quarter of 2023, the Company sold all of its Limbach common shares. The Company recorded total gains related to Limbach of $3.3 million during the year ended December 31, 2023.

NOTE 8 GOODWILL

The following table summarizes goodwill activity for the years ended December 31, 2022 2023 and December 31, 2021 2022:

(in thousands)	Extended Warranty	Kingsway Search Xcelerator	Corporate	Total	Extended Warranty	Kingsway Search Xcelerator	Corporate	Total
Balance, December 31, 2020	$ 59,415	$ —	$ 732	$ 60,147				
Acquisition	—	7,905	—	7,905				
Measurement period adjustment	(18,788)	—	—	(18,788)				
Balance, December 31, 2021	40,627	7,905	732	49,264	$ 40,627	$ 7,905	$ 732	$ 49,264
Acquisitions	—	5,708	—	5,708	—	5,708	—	5,708
Goodwill disposed of related to PWSC	(9,474)	—	—	(9,474)	(9,474)	—	—	(9,474)
Balance, December 31, 2022	$ 31,153	$ 13,613	$ 732	$ 45,498	31,153	13,613	732	45,498
Acquisitions					—	4,870	—	4,870
Measurement period adjustment					—	(10)	—	(10)
Balance, December 31, 2023					$ 31,153	$ 18,473	$ 732	$ 50,358

As further discussed in Note 4, "Acquisitions," during 2022, 2023 the Company recorded goodwill goodwill of $4.1$0.1 million related to the acquisition of CSuite SPI on November 1, 2021 September 7, 2023 and $1.6$4.8 million related to the acquisition of SNS DDI on November 18, 2022. October 26, 2023. The goodwill related to these acquisitions is provisional and subject to adjustment during the measurement period. The Company expects to complete its purchase price allocations in early during the 2023. first quarter of 2024. The estimates, allocations and calculations recorded at December 31, 2022 2023 are subject to change as we obtain further information; therefore, the final fair values of the assets acquired and liabilities assumed may not agree with the estimates included in these consolidated financial statements.
As further discussed inNote in Note 4, "Acquisitions," during 2021, the Company recorded goodwill of$7.9 million related to the acquisition of Ravix on October 1,2021.

In 2020, 2022, the Company recorded goodwill of $39.0 million $4.1 million related to the acquisition of PWI CSuite on December November 1, 2020 2021 which was provisional and subject to adjustment during the measurement period. As further discussed inNote 4$1.6, "Acquisitions," during the third quarter of 2021, the Company recorded a cumulative net measurement period adjustment, million related to the acquisition of PWI, SNS on November 18, 2022. Also,during the first quarter of 2023 the Company settled the working capital true-up, related to the acquisition of CSuite, that decreased goodwill by $18.8 million less than $0.1 million.
Goodwill is assessed for impairment annually as of November 30, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. Although the Company believes its estimates of fair value are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact on either the fair value of the reporting units, the amount of the goodwill impairment charge, or both. Based on the assessment performed, no goodwill impairments were recognized in 2022 2023 and 2021 2022.

NOTE 9 INTANGIBLE ASSETS

Intangible assets at December 31, 2022 2023 and December 31, 2021 2022 are comprised as follows:

(in thousands)	December 31, 2022			December 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible assets subject to amortization						
Database	$ 4,918	$ 4,918	$ —	$ 4,918	$ 4,918	$ —
Vehicle service agreements in-force	3,680	3,680	—	3,680	3,680	—
Customer relationships	32,442	13,630	18,812	39,942	19,521	20,421
Developed technology				600	18	582
Intangible assets not subject to amortization						
Trade names	14,287	—	14,287	14,667	—	14,667
Total	$ 55,327	$ 22,228	$ 33,099	$ 63,807	$ 28,137	$ 35,670

(in thousands)			December 31, 2022
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible assets subject to amortization			
Database	$ 4,918	$ 4,918	$ —
Vehicle service agreements in-force	3,680	3,680	—
Customer relationships	32,442	13,630	18,812
Intangible assets not subject to amortization			—
Trade names	14,287	—	14,287
Total	$ 55,327	$ 22,228	$ 33,099

(in thousands)			December 31, 2021
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Intangible assets subject to amortization			
Database	$ 4,918	$ 4,488	$ 430
Vehicle service agreements in-force	3,680	3,680	—
Customer relationships	31,645	11,598	20,047
Non-compete	266	224	42
Intangible assets not subject to amortization			—
Trade names	10,314	—	10,314
Total	$ 50,823	$ 19,990	$ 30,833

As discussed in Note 5, "Disposal and Discontinued Operations," the Company disposed of PWSC on July 29, 2022. PWSC had intangible assets with a gross carrying value of $6.2 million and a net carrying value of $2.3 million at the disposal date.

As further discussed in Note 4, "Acquisitions," during the fourth 2023 quarter of and 2022, the Company recorded $4.0 million of separately identifiable intangible assets, related to acquired customer relationships and trade name, as part of the acquisition of CSuite on November 1, 2022. The customer relationships intangible asset of $2.5 million is being amortized over seven years based on the pattern in which the economic benefits of the intangible asset are expected to be consumed. The trade name intangible asset of $1.5 million is deemed to have indefinite useful life and is not amortized. recorded:

(in thousands)	**SPI**	**DDI**	**CSuite**	**SNS**
Acquisition Date	September 7, 2023	October 26, 2023	November 1, 2022	November 18, 2022
Customer Relationships	$ 1,000	$ 6,500	$ 2,500	$ 3,600
Amortization Period	13 years	11 years	7 years	9 years
Developed Technology	$ 600	n/a	n/a	n/a

Amortization Period	10 years	-	-	-
Trade Name	$ 120	$ 260	$ 1,500	$ 3,100
Amortization Period	Indefinite	Indefinite	Indefinite	Indefinite
Total Intangibles	$ 1,720	$ 6,760	$ 4,000	$ 6,700

The intangible assets related to this acquisition the SPI and DDI acquisitions are provisional and subject to adjustment during the measurement period. The Company expects to complete its purchase price allocation in earlyduring the 2023. first quarter of 2024. The estimates, allocations and calculations recorded at December 31, 2022 2023are subject to change as we obtain further information; therefore, the final fair values of the assets acquired and liabilities assumed may not agree with the estimates included in these consolidated financial statements.

As further discussed in Note 4, "Acquisitions," during the fourth quarter of 2022, the Company recorded $6.7 million of separately identifiable intangible assets, related to acquired customer relationships and trade name, as part of the acquisition of SNS on November 18, 2022. The customer relationships intangible asset of $3.6 million is being amortized over nine years based on the pattern in which the economic benefits of the intangible asset are expected to be consumed. The trade name intangible asset of $3.1 million is deemed to have indefinite useful life and is not amortized. The intangible assets related to this acquisition are provisional and subject to adjustment during the measurement period. The Company expects to complete its purchase price allocation in early 2023. The estimates, allocations and calculations recorded at December 31, 2022 are subject to change as we obtain further information; therefore, the final fair values of the assets acquired and liabilities assumed may not agree with the estimates included in these consolidated financial statements.

As further discussed in Note 4, "Acquisitions," during the fourth quarter of 2021, the Company recorded $6.5 million of separately identifiable intangible assets, related to acquired customer relationships and trade name, as part of the acquisition of Ravix on October 1, 2021. The customer relationships intangible asset of $4.0 million is being amortized over seven years based on the pattern in which the economic benefits of the intangible asset are expected to be consumed. The trade name intangible asset of $2.5 million is deemed to have indefinite useful life and is not amortized.

The Company's other intangible assets with definite useful lives are amortized either based on the patterns in which the economic benefits of the intangible assets are expected to be consumed or using the straight-line method over their estimated useful lives, which range from 7 to 15 years. Amortization of intangible assets was $6.1 5.9 million and $4.8 6.1 million for the years ended December 31, 2022 2023 and December 31, 2021 2022, respectively. The estimated aggregate future amortization expense of all intangible assets is $5.6 million for 2023,$4.3 5.7 million for 2024, $3.1 4.5 million for 2025, $2.2 3.4 million for 2026, $1.6 2.5 million for 2027, $1.8 million for 2028and $2.0 $3.1 million thereafter.

The trade names intangible assets have indefinite useful lives and are not amortized. All As of November 30, 2023 and 2022, the Company conducted its annual qualitative assessment. As a result, the Company determined that certain trade names should be further examined under a quantitative approach. Based on the results of the quantitative approach, the Company did not record any impairment. However, the Company notes that certain of its indefinite-lived intangible assets with indefinite useful lives are reviewed annually by sensitive to changes in interest rates, as well as the Company for impairment. No impairment charges were taken on performance of the underlying business. Changes in interest rates and/or if the business underlying the intangible asset performs below the assumptions used in the original purchase accounting could cause certain intangible assets in 2022 or 2021. to become impaired.

NOTE 10 PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 2023 and December 31, 2021 2022 are comprised as follows:

(in thousands)	December 31, 2022			December 31, 2023		
	Total Property and Equipment			Total Property and Equipment		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Leasehold improvements	$ 485	$ 206	$ 279	$ 585	$ 225	$ 360
Furniture and equipment	375	319	56	287	250	37
Computer hardware	954	516	438	1,080	660	420
Medical equipment				1,056	23	1,033
Total	$ 1,814	$ 1,041	$ 773	$ 3,008	$ 1,158	$ 1,850

(in thousands)	December 31, 2021			December 31, 2022		
	Total Property and Equipment			Total Property and Equipment		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value

Leasehold improvements	$ 286	$ 163	$ 123	$ 485	$ 206	$ 279
Furniture and equipment	562	442	120	375	319	56
Computer hardware	2,488	1,630	858	954	516	438
Total	$ 3,336	$ 2,235	$ 1,101	$ 1,814	$ 1,041	$ 773

For the years ended December 31, 2022 2023 and December 31, 2021 2022, depreciation expense on property and equipment of $0.3 million and $0.2 0.3 million, respectively, is included in general and administrative expenses in the consolidated statements of operations.

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NOTE 11 DERIVATIVES

(a) Interest rate swap:

On April 1, 2021, the Company entered into an interest rate swap agreement with CIBC Bank USA to convert the variable London interbank offered interest rate for three-month U.S. dollar deposits ("LIBOR") interest rate on a portion of its 2020 KWH Loan (as defined below in Note 12, "Debt") to a fixed interest rate of 1.18%. On September 15, 2022, the interest rate swap agreement was amended to convert from a variable Secured Overnight Financing Rate ("SOFR") to a fixed interest rate of 1.103%. The interest rate swap had an initial notional amount of $11.9 million and matures on February 29, 2024.

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The purpose of this interest rate swap, which is not designated as a cash flow hedge, is to reduce the Company's exposure to variability in cash flows from interest payments attributable to fluctuations in the variable interest rate associated with the 2020 KWH Loan. The Company has not elected hedge accounting for the interest rate swap. The interest rate swap is recorded in the consolidated balance sheets at fair value with changes in fair value recorded in the consolidated statement of operations.

The notional amount of the interest rate swap contract is$8.6 6.8 million at December 31, 2022 2023. At December 31, 2022 2023 and December 31, 2021 2022, the fair value of the interest rate swap contract was an asset of less than $0.3 0.1 million and a liability of less than $0.1 million, $0.3 million, respectively, which is included in other receivables and accrued expenses and other liabilities, respectively, in the consolidated balance sheets. During the years ended December 31, 2022 2023 and December 31, 2021 2022, the Company recognized a gain loss of $0.3 million and a loss gain of less than $0.3$0.1 million, respectively, related to the change in fair value of the interest rate swap, which is included in interest expense in the consolidated statements of operations and within cash flows (used in) provided by used in operating activities from continuing operations in the consolidated statements of cash flows. Net cash receipts of $0.1 million $0.3 million and $0.1 million were made to the Company during the year years ended December 31, 2022 2023 and net cash payments of less than $0.1 million were made by the Company during the year ended December 31, 2021 2022, respectively, to settle a portion of the liabilities related to the interest rate swap agreement. These cash receipts and payments are reflected as cash inflows or outflows in the consolidated statements of cash flows within within net cash (used in) provided by cash used in operating activities from continuing operations.

(b) Trust preferred debt repurchase options:

On August 2, 2022, the Company entered into an agreement with a holder of four of the trust preferred debt instruments ("TruPs") that gives gave the Company the option to repurchase up to 100% of the holder’s principal and deferred interest for a purchase price equal to 63.75% of the outstanding principal and deferred interest ("August Option"). Originally, the agreement called for a repurchase at 63%, which escalated to 63.75% once the September 26, 2022 agreement (described below) was signed. The Company has agreed that any repurchase made will would be for no less than 50% of the TruPs held by the holder.

Until the earlier of (i) the date that all four of the preferred debt instruments have been repurchased and (ii) the nine month anniversary of the agreement ("May Termination Date"), all interest on the four preferred debt instruments will continue continued to accrue. However, with respect to TruPs that are were repurchased prior to the May Termination Date, the amount of interest accrued during the term of the agreement will be was treated as an offset and reduce reduced the repurchase price for such TruPs. The Company will have had no obligation to pay any such accrued interest with respect to any of the TruPs that are were repurchased prior to the May Termination Date.

The Company paid approximately $2.0 million to the holder for this option and the Company has had until the May Termination Date to execute the repurchases. If Given the Company repurchases less than $30.0 million of principal and deferred interest, or fails to purchase any principal or deferred interest within one year, then the $2.0 million paid is forfeited. If the Company repurchases repurchased an amount equal to or greater than $30.0 million, then the $2.0 million paid would be was applied to such the repurchases.

On September 20, 2022, the Company entered into an additional agreement with the same party to the August 2, 2022 agreement that gives gave the Company the option to repurchase up to 100% of the holder's principal and deferred interest for 63.75% of the outstanding principal and deferred interest relating to a portion of a fifth TruPs held ("September 20 Option"). The September 20, 2022 agreement is was subject to the same terms and conditions as the August 2, 2022 agreement and no additional consideration was paid.

On September 26, 2022, the Company entered into an agreement with a holder of a portion of one of the TruPs that gives gave the Company the option to repurchase up to 100% of the holder's principal and deferred interest for a purchase price equal to 63% of the outstanding principal and deferred interest ("September 26 Option").

Until the earlier of (i) the date that all of the preferred debt instrument has been repurchased and (ii) the May Termination Date, all interest on the preferred debt instrument will continue continued to accrue. However, with respect to TruPs that are were repurchased prior to the May Termination Date, the amount of interest accrued during the term of the agreement will be was treated as an offset and reduce reduced the repurchase price for such TruPs. The Company will have had no obligation to pay any such accrued interest with respect to the TruPs that are were repurchased prior to the May Termination Date.

The Company paid approximately $0.3 million to the holder for this option and the Company has had until the May Termination Date to execute the repurchase. If Given the Company fails to purchase any principal or deferred interest by repurchased the May Termination Date, then TruPs, the $0.3 million paid is forfeited. If was applied to the repurchases.

In February 2023, the Company repurchases any entered into amendments to the repurchase agreements described above that gave the Company an additional discount on the total repurchase price if the Company effected a 100% repurchase on or before March 15, 2023. On March 2, 2023, the Company gave notice to the holders of its intent to exercise its options to repurchase 100% of the TruPs, then principal. On March 22, 2023, the $0.3 million paid would be applied to any Company completed the repurchases. See Note 12, "Debt," for further discussion.

The August Option, September 20 Option and September 26 Options (collectively "the TruPs Options") are derivative contracts. The Company's accounting policies do not apply hedge accounting treatment to derivative instruments. The TruPs options are recorded in the consolidated balance sheets sheet at December 31, 2022 at fair value with changes in fair value recorded in the consolidated statements of operations. See Note 23, "Fair Value of Financial Instruments," for further discussion.

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Notes to Consolidated Financial Statements

The notional amount of the TruPs Options contracts is $59.7 million at December 31, 2022. At December 31, 2022,, the fair value of the TruPs Options contracts was an asset of $19.0 million, which is included in other assets in the consolidated balance sheet. See During the year ended Note 23 December 31, 2023, "Fair Value the Company recognized a loss on change in fair value of Financial Instruments the TruPs Options contracts of $1.4 million," for further discussion. which is included in (loss) gain on change in fair value of derivative asset option contracts in the consolidated statements of operations and as an adjustment to calculate cash flows used in operating activities in the consolidated statements of cash flows. Cash payments of $56.5 million were made to repurchase the TruPs during the year ended December 31, 2023 with respect to the TruPs Options contracts.

During the year ended December 31, 2022, the Company recognized an initial gain of $11.4 million, equal to the difference between the fair value of the TruPs Options contracts at the date of inception and the cash consideration paid, and a subsequent gain on change in fair value of $5.3$5.3 million, both of which are included in (loss) gain on change in fair value of derivative asset option contracts in the consolidated statement statements of operations and as an adjustment to calculate cash flows used in operating activities from continuing operations in the consolidated statement statements of cash flows. No cash payments were made to repurchase any of the TruPs during the year ended December 31, 2022 with respect to the TruPs Options contracts.

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Notes to Consolidated Financial Statements

NOTE 12 DEBT

Debt consists of the following instruments at December 31, 2022 2023 and December 31, 2021 2022:

(in thousands)	December 31, 2022			December 31, 2021			December 31, 2023			December 31, 2022		
	Principal	Carrying Value	Fair Value	Principal	Carrying Value	Fair Value	Principal	Carrying Value	Fair Value	Principal	Carrying Value	Fair Value
Bank loans:												
2021 Ravix Loan	$ 5,300	$ 5,300	$ 5,460	$ 6,000	$ 5,847	$ 5,936	$ 4,650	$ 4,650	$ 4,811	$ 5,300	$ 5,300	$ 5,460
2022 Ravix Loan	5,950	5,754	6,245	—	—	—	4,925	4,769	5,027	5,950	5,754	6,245

SNS Loan	6,850	6,755	6,921	—	—	—	5,142	5,063	5,243	6,850	6,755	6,921
DDI Loan							5,600	5,534	5,841	—	—	—
2020 KWH Loan	16,708	16,472	16,819	21,186	20,870	20,815	10,979	10,806	11,240	16,708	16,472	16,819
Total bank loans	34,808	34,281	35,445	27,186	26,717	26,751	31,296	30,822	32,162	34,808	34,281	35,445
Notes payable:												
Flower Note	—	—	—	6,411	6,411	7,101						
Total notes payable	—	—	—	6,411	6,411	7,101						
Subordinated debt	90,500	67,811	67,811	90,500	60,973	60,973	15,000	13,594	13,594	90,500	67,811	67,811
Total	$ 125,308	$ 102,092	$ 103,256	$ 124,097	$ 94,101	$ 94,825	$ 46,296	$ 44,416	$ 45,756	$ 125,308	$ 102,092	$ 103,256

Subordinated debt mentioned above consists of the following trust preferred debt instruments: instrument at December 31, 2023:

Issuer	Principal (in thousands)	Issue date	Interest	Redemption date
Kingsway DE Statutory Trust III	$ 15,000	5/22/2003	annual interest rate equal to CME Term SOFR, plus 4.20% payable quarterly	5/22/2033

Subordinated debt mentioned above consists of the following trust preferred debt instruments at December 31, 2022:

Issuer	Principal (in thousands)	Issue date	Interest	Redemption date
Kingsway CT Statutory Trust I	$ 15,000	12/4/2002	annual interest rate equal to LIBOR, plus 4.00% payable quarterly	12/4/2032
Kingsway CT Statutory Trust II	$ 17,500	5/15/2003	annual interest rate equal to LIBOR, plus 4.10% payable quarterly	5/15/2033
Kingsway CT Statutory Trust III	$ 20,000	10/29/2003	annual interest rate equal to LIBOR, plus 3.95% payable quarterly	10/29/2033
Kingsway DE Statutory Trust III	$ 15,000	5/22/2003	annual interest rate equal to LIBOR, plus 4.20% payable quarterly	5/22/2033
Kingsway DE Statutory Trust IV	$ 10,000	9/30/2003	annual interest rate equal to LIBOR, plus 3.85% payable quarterly	9/30/2033
Kingsway DE Statutory Trust VI	$ 13,000	12/16/2003	annual interest rate equal to LIBOR, plus 4.00% payable quarterly	1/8/2034

(a) Bank loans:

Ravix

As part of the acquisition of Ravix on October 1, 2021, Ravix became a wholly owned subsidiary of Ravix Acquisition LLC ("Ravix LLC"), and together they borrowed from a bank a principal amount of $6.0 million in the form of a term loan, and established a $1.0 million revolver to finance the acquisition of Ravix (together, the "2021 Ravix Loan"). The 2021 Ravix Loan requires monthly payments of principal and interest. The 2021 Ravix Loan has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 3.75%. At December 31, 2022 2023, the interest rate was 8.00% 9.00%. The term loan matures on October 1, 2027 2027. and the revolver was scheduled to mature on October 1, 2023 (see discussion below related to the 2022 Ravix Loan). Subsequent to October 1, 2021, Ravix borrowed and made payments under the revolver. The carrying values at December 31, 2022 and December 31, 2021 for the 2021 Ravix Loan includes $5.1 millionand $5.7 million, respectively, related to the term loan and zero and $0.1 million related to the revolver. The Company also recorded as a discount to the carrying value of the 2021 Ravix Loan issuance costs of $0.2 million specifically related to the 2021 Ravix Loan. The 2021 Ravix Loan is carried in the consolidated balance sheet at December 31, 2022 2023 at itsunpaid principal balance. balance.

Subsequent to the acquisition of CSuite on November 1, 2022, CSuite became a wholly owned subsidiary of Ravix LLC. As a result of the acquisition of CSuite, on November 16, 2022, the 2021 Ravix Loan was amended to (1) include CSuite as a borrower; (2) borrow an additional principal amount of $6.0 million in the form of a supplemental term loan (the "2022 Ravix Loan"); and (3) amend the maturity date and interest rate of the $1.0 million revolver (the "2022 Revolver"). The 2022 Ravix Loan requires monthly payments of principal and interest. The 2022 Ravix Loan matures on November 16, 2028 and has an annual interest rate equal to the Prime Rate plus 0.75%. At December 31, 2022 2023, the interest rate was 8.25% 9.25%. The 2022 Revolver matures on November 16, 2024 and has an annual interest rate equal to the Prime Rate plus 0.50%. At December 31, 2023and December 31, 2022, the balance of the 2022 Revolver was zero.

The Company also recorded as a discount to the carrying value of the 2022 Ravix Loan issuance costs of $0.1 million specifically related to the 2022 Ravix Loan. The 2022 Ravix Loan is carried in the consolidated balance sheet at December 31, 2022 2023 at itsamortized cost, which reflects the monthly pay-down of principal as well as the amortization of the debt discount and issuance costs using the effective interest rate method.

The 2022 Ravix Loan and the 2021 Ravix Loan were not deemed to be substantially different; therefore, the 2022 Ravix Loan is accounted for as a modification of the 2021 Ravix Loan and a new effective interest rate was determined based on the carrying amount of the 2021 Ravix Loan. The issuance costs related to the 2022 Ravix Loan, along with the existing unamortized issuance costs from the 2021 Ravix Loan, are being amortized over the remaining term of the 2022 Ravix Loan using the effective interest rate.

The fair values of the 2021 Ravix Loan and the 2022 Ravix Loan disclosed in the table above is derived from quoted market prices of B and BB minus rated industrial bonds with similar maturities and is categorized within Level 2 of the fair value hierarchy. The 2021 Ravix Loan and the 2022 Ravix Loan are secured by certain of the equity interests and assets of Ravix and CSuite.

The 2021 Ravix Loan and the 2022 Ravix Loan contains a number of covenants, including, but not limited to, a leverage ratio and a fixed charge ratio, all of which are as defined in and calculated pursuant to the 2021 Ravix Loan and 2022 Ravix Loan that, among other things, restrict Ravix and CSuite's ability to incur additional indebtedness, create liens, make dividends and distributions, engage in mergers, acquisitions and consolidations, make certain payments and investments and dispose of certain assets.

SNS

As part of the asset acquisition of SNS on November 18, 2022, the Company formed Secure Nursing Service LLC, who which became a wholly owned subsidiary of Pegasus Acquirer Holdings LLC ("Pegasus LLC"), and together they borrowed from a bank a principal amount of $6.5 million in the form of a term loan, and established a $1.0 million revolver to finance the acquisition of SNS (together, the "SNS Loan"). The SNS Loan has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 5.00%. At December 31, 2022 2023, the interest rate was 8.00% 9.00%. Monthly principal payments on the term loan begin began on November 15, 2023. The revolver matures on on November 18, 2023 May 2, 2025 and and the term loan matures on November 18, 2028. Subsequent to November 18, 2022, SNS borrowed under the revolver. During 2023, SNS repaid the amount borrowed under the revolver. The carrying value values at December 31, 2023 and December 31, 2022 for the SNS Loan includes $6.4 $5.1 million and $6.4 million, respectively, related to the term loan, andzeroand $0.4$0.4 million, respectively,million related to the revolver.

The Company also recorded as a discount to the carrying value of the SNS Loan issuance costs of $0.1 million specifically related to the SNS Loan. The SNS Loan is carried in the consolidated balance sheet at its amortized cost, which reflects the monthly pay-down of principal starting November 15, 2023, as well as amortization of the debt discount and issuance costs using the effective interest rate method. The fair value of the SNS Loan disclosed in the table above is derived from quoted market prices of B and BB minus rated industrial bonds with similar maturities and is categorized within Level 2 of the fair value hierarchy. The SNS Loan is secured by certain of the equity interests and assets of SNS.

The SNS Loan contains a number of covenants, including, but not limited to, a leverage ratio and a fixed charge ratio and limits on annual capital expenditures, all of which are as defined in and calculated pursuant to the SNS Loan that, among other things, restrict SNS's ability to incur additional indebtedness, create liens, make dividends and distributions, engage in mergers, acquisitions and consolidations, make certain payments and investments and dispose of certain assets.

DDI

As part of the asset acquisition of DDI on October 26, 2023, DDI became a wholly owned subsidiary of DDI Acquisition, LLC ("DDI LLC"), and together they borrowed from a bank a principal amount of $5.6 million in the form of a term loan, and established a $0.4 million revolver to finance the acquisition of DDI (together, the "DDI Loan"). The DDI Loan has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 5.00%. A t December 31, 2023, the interest rate was 9.00%. Monthly principal payments on the term loan begin on December 15, 2024. The revolver matures on September 1, 2024 and the term loan matures on October 26, 2029. The carrying value at December 31, 2023 for the DDI Loan includes $5.5million related to the term loan and zero related to the revolver.

The Company also recorded as a discount to the carrying value of the DDI Loan issuance costs of $0.1 million specifically related to the DDI Loan. The DDI Loan is carried in the consolidated balance sheet at its amortized cost, which reflects the amortization of the debt discount and issuance costs using the effective interest rate method. The fair value of the DDI Loan disclosed in the table above is derived from quoted market prices ofB and BB minus rated industrial bonds with similar maturities and is categorized within Level 2 of the fair value hierarchy. The DDI Loan is secured by certain of the equity interests and assets of DDI.

The DDI Loan contains a number of covenants, including, but not limited to, a senior leverage ratio and a fixed charge ratio and limits on annual capital expenditures, all of which are as defined in and calculated pursuant to the DDI Loan that, among other things, restrict DDI's ability to incur additional indebtedness, create liens, make dividends and distributions, engage in mergers, acquisitions and consolidations, make certain payments and investments and dispose of certain assets.

KWH

In 2019, the Company formed Kingsway Warranty Holdings LLC ("KWH"), whose original subsidiaries included IWS Acquisition Corporation ("IWS"), Geminus Holdings Company, Inc. ("Geminus") and Trinity Warranty Solutions LLC ("Trinity"). As part of the acquisition of PWI on December 1, 2020, PWI became a wholly owned subsidiary of KWH, which borrowed a principal amount of $25.7 million from a bank, consisting of a $24.7 million term loan and a $1.0 million revolving credit facility (the "2020 KWH Loan"). The proceeds from the 2020 KWH Loan were used to partially fund the acquisition of PWI and to fully repay the prior outstanding loan at KWH, which occurred on December 1, 2020.

The 2020 KWH Loan had an annual interest rate equal to LIBOR having a floor of 0.75%, plus 2.75%. During the second quarter of 2022, the 2020 KWH Loan was amended to change the annual interest rate to be equal to the Secured Overnight Financing Rate ("SOFR"), having a floor of 0.75%, plus spreads ranging from 2.62% to 3.12%. At December 31, 2022 2023, the interest rate was 6.96% 8.22%. The 2020 KWH Loan matures on December 1, 2025. The carrying values at December 31, 2022 2023 and December 31, 2021 2022 include $16.0 $10.3 millionand $20.4 $16.0 million, respectively, related to the term loan and $0.5 million and $0.5 million, respectively, related to the revolver.

The Company also recorded as a discount to the carrying value of the 2020 KWH Loan issuance costs of $0.4 million specifically related to the 2020 KWH Loan. The 2020 KWH Loan is carried in the consolidated balance sheets at its amortized cost, which reflects the quarterly pay-down of principal as well as the amortization of the debt discount and issuance costs using the effective interest rate method. The fair value of the 2020 KWH Loan disclosed in the table above is derived from quoted market prices of B BB and BB minus rated industrial bonds with similar maturities and is categorized within Level 2 of the fair value hierarchy. The 2020 KWH Loan is secured by certain of the equity interests and assets of KWH and its subsidiaries.

The 2020 KWH Loan contains a number of covenants, including, but not limited to, a leverage ratio, a fixed charge ratio and limits on annual capital expenditures, all of which are as defined in and calculated pursuant to the 2020 KWH Loan that, among other things, restrict KWH's ability to incur additional indebtedness, create liens, make dividends and distributions, engage in mergers, acquisitions and consolidations, make certain payments and investments and dispose of certain assets.

On February 28, 2023, KWH entered into a second amendment to the 2020 KWH Loan (the "KWH DDTL") that provides for an additional delayed draw term loan in the principal amount of up to $10.0 million, with a maturity date of December 1, 2025. All or any portion of the KWH DDTL, subject to a $2 million minimum draw amount, may be requested at any time through February 27, 2024. The proceeds are evidenced by an intercompany loan and guarantee between KAI and KWH. Proceeds from certain assets dispositions, as defined, may be required to be used to repay outstanding draws under the DDTL. The principal amount shall be repaid in quarterly installments in an amount equal to 3.75% of the original amount of the drawn DDTL. Proceeds from certain assets dispositions, as defined, may be required to be used to repay outstanding draws under the DDTL. The KWH DDTL also increases the senior cash flow leverage ratio maximum permissible for certain periods. The Company did not draw down on the KWH DDTL during the year ended December 31, 2023.

During the first quarter of 2024, the Company borrowed $3.5 million under the KWH DDTL and $0.5 million under the KWH Loan revolver.

(b) Notes payable:

Flower

On January 5, 2015, Flower assumed a $9.2 million mortgage in conjunction with the purchase of investment real estate properties, which is recorded as note payable in the consolidated balance sheet at December 31, 2021 ("the Flower Note"). The Flower Note required monthly payments of principal and interest and was secured by certain investments of Flower. The Flower Note was scheduled to mature on December 10, 2031 and had a fixed interest rate of 4.81%. On September 29, 2022, Flower sold its investment real estate properties and used a portion of the sales proceeds to repay the unpaid principal balance of the Flower Note. The carrying value of the Flower Note of $6.4 million at December 31, 2021 represents its unpaid principal balance. The fair value of the Flower Note disclosed in the table above is derived from quoted market prices of A and BBB rated industrial bonds with similar maturities and is categorized within Level 2 of the fair value hierarchy.

Paycheck Protection Program

In April 2020, certain subsidiaries of the Company received loan proceeds under the Paycheck Protection Program ("PPP"), totaling $2.9 million with a stated annual interest rate of 1.00%. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration (the "SBA"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll costs (as defined for purposes of the PPP) of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, costs, rent and utilities, during the twenty-four week period following the borrower's receipt of the loan and maintains its payroll levels and employee headcount. The amount of loan forgiveness will be reduced if the borrower reduces its employee headcount below its average employee headcount during a benchmark period or significantly reduces salaries for certain employees during the covered period.

The Company used the entire loan amount for qualifying expenses. The U.S. Department of the Treasury has announced that it will conduct audits for PPP loans that exceed $2.0 million. If the Company were to be audited and receive an adverse outcome in such an audit, it could be required to return the full amount of the PPP Loan and may potentially be subject to civil and criminal fines and penalties.

On December 21, 2020 the SBA approved the forgiveness of the full amount of one of the five PPP loans. The forgiveness included principal and interest of $0.4 million. In January 2021 and March 2021, the SBA provided the Company with notices of forgiveness of the full amount of the remaining four loans. The forgiveness in the first quarter of 2021 included total principal and interest of $2.5 million. The loan forgiveness is included in gain on extinguishment of debt in the consolidated statement of operations for the years ended December 31, 2021.

(c) (b) Subordinated debt:

Between December 4, 2002 and December 16, 2003, six subsidiary trusts of the Company issued $90.5 million of 30-year capital securities to third-parties in separate private transactions. In each instance, a corresponding floating rate junior subordinated deferrable interest debenture was then issued by KAI to the trust in exchange for the proceeds from the private sale. The floating rate debentures bear bore interest at the rate of LIBOR, plus spreads ranging from 3.85% to 4.20%. Effective July 3, 2023, the index used for determining the interest rate for the remaining trust preferred debt instrument converted from LIBOR to CME Term SOFR. The Company has the right to call each of these securities at par value any time after five years from their issuance until their maturity.

The subordinated debt, or TruPs, is carried in the consolidated balance sheets at fair value. See Note 23, "Fair Value of Financial Instruments," for further discussion of the subordinated debt. The portion of the change in fair value of subordinated debt related to the instrument-specific credit risk is recognized in other comprehensive loss.

In February 2023, the Company entered into amendments to the trust preferred option repurchase agreements described in Note 11, "Derivatives," that would give the Company an additional discount on the total repurchase price of the TruPs if the Company effected a 100% repurchase on or before March 15, 2023. On March 2, 2023, the Company gave notice to the holders of five of its TruPs that it intended to exercise its options to repurchase 100% of the principal. On March 22, 2023, the Company completed the repurchases of the five TruPs using available funds from working capital to fund the repurchases. The total amount paid for the five TruPs was $56.5 million, which included a credit for the $2.3 million that the Company previously paid at the time of entering into the trust preferred option repurchase agreements. As a result, the Company repurchased $75.5 million of TruPs principal and $23.0 million of deferred interest payable. The Company recognized a gain of $31.6 million, which is included in gain on extinguishment of debt in the consolidated statement of operations for the year ended December 31, 2023. At December 31, 2023, the Company has $15.0 million of principal outstanding related to the remaining trust preferred debt instrument.

The $54.2 million decrease in the Company's subordinated debt between December 31, 2022 and December 31, 2023 is attributed to the following:

- A decrease of $56.1 million as a result of the repurchase of trust preferred debt during the first quarter of 2023;
- A decrease of $0.3 million related to the change in fair value of the repurchased trust preferred debt instruments between December 31, 2022 and the repurchase dates; and
- An increase of $2.2 million related to the change in fair value of the remaining trust preferred debt instrument between December 31, 2022 and December 31, 2023.

Of the $6.8 million $1.9 million increase in fair fair value of the Company's subordinated debt between December 31, 2021 2022 and December 31, 2022 2023, $1.9 $1.8 million is reported as increase in fair value of debt attributable to instrument-specific credit risk in the Company's consolidated statements of comprehensive (loss) income (loss) and $4.9 0.1 million is reported as loss on change in fair value of debt in the Company's consolidated statements of operations. Of the $10.0 million $6.8 million increase in fair value of the Company's subordinated debt between December 31, 2020 2021 and December 31, 2021 2022, $6.8 1.9 million is reported as increase in fair value of debt attributable to instrument-specific credit risk in the Company's consolidated statements of comprehensive (loss) income (loss) and $3.2$4.9 million is reported as loss on change in fair value of debt in the Company's consolidated statements of operations.

The consolidated statements of comprehensive (loss) income for the year ended December 31, 2023 also includes a reclassification adjustment of $27.2 million from accumulated other comprehensive income to gain on extinguishment of debt related to the instrument-specific credit risk related to the repurchased TruPs.

During the third quarter of 2018, the Company gave notice to its Trust Preferred trustees of its intention to exercise its voluntary right to defer interest payments for up to 20 quarters, pursuant to the contractual terms of its outstanding Trust Preferred indentures, which permit interest deferral. This action does not constitute a default under the Company's Trust Preferred indentures or any of its other debt indentures. In order to execute the repurchases described above, on March 13, 2023, the Company paid $5.0 million to the remaining Trust Preferred trustee to be used by the trustee to pay the interest which the Company had been deferring since the third quarter of 2018.At December 31, 2022 2023 and December 31, 2021 2022, deferred interest payable of $25.5zero million and $18.7 $25.5 million, respectively, is included in accrued expenses and other liabilities in the consolidated balance sheets.

The agreements governing the subordinated debt contain a number of covenants that, among other things, restrict the Company's ability to incur additional indebtedness, make dividends and distributions, and make certain payments in respect of the Company's outstanding securities.

NOTE 13 LEASES

The Company has operating leases for office space that include fixed base rent payments, as well as variable rent payments to reimburse the landlord for operating expenses and taxes. The Company's variable lease payments do not depend on a published index or rate, and therefore, are expensed as incurred. The Company includes only fixed payments for lease components in the measurement of the right-of-use asset and lease liability. There are no residual value guarantees.

Operating lease costs and variable lease costs included in general and administrative expenses for the year ended December 31, 2022 2023 were $0.8 0.5 million and $0.2 million, respectively. Operating lease costs and variable lease costs included in general and administrative expenses for the year ended December 31, 2021 2022 were $1.0 million $0.8 million and $0.1 $0.2 million, respectively.Short-term lease costs included in general and administrative expenses for the years ended December 31, 2023 and December 31, 2022 were $0.2 million and $0.1 million, respectively.

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The annual maturities of lease liabilities as of December 31, 2022 2023 were as follows:

(in thousands)	Lease Commitments	Lease Commitments
2023	$ 438	
2024	405	$ 504
2025	231	347
2026	167	241
2027	107	162
2028 and thereafter	17	
2028		74
2029 and thereafter		5
Total undiscounted lease payments	1,365	1,333
Imputed interest	148	135
Total lease liabilities	$ 1,217	$ 1,198

Lease liabilities are included in accrued expenses and other liabilities in the consolidated balance sheets. The weighted-average remaining lease term for operating leases was 3.57 3.39 years as of December 31, 2022 2023. The weighted average discount rate of operating leases was 5.84% 6.13% as of December 31, 2022 2023. Cash paid for amounts included in the measurement of lease liabilities was $0.8 0.5 million and $1.0 $0.8 million for the years ended December 31, 2022 2023 and December 31, 2021 2022, respectively.

Supplemental non-cash information related to leases for the year ended December 31, 2022 2023 includes right-of-use assets of $0.3 0.4 million acquired in exchange for $0.5 0.4 million of lease obligations.

NOTE 14 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers relates to the Extended Warranty and Kingsway Search Xcelerator segments and includes: vehicle service agreement fees, GAP commissions, maintenance support service fees, warranty product commissions, homebuilder warranty service fees, homebuilder warranty commissions, and business services consulting revenue, healthcare services revenue and software license and support revenue. Revenue is based on terms of various agreements with credit unions, consumers, businesses and homebuilders. Customers either pay in full at the inception of a warranty contract or commission product sale, or when consulting, healthcare and software license and support services are billed, or on terms subject to the Company's customary credit reviews.

The following table disaggregates revenues from contracts with customers by revenue type:

(in thousands)		Years ended December 31,			Years ended December 31,	
		2022	2021		2023	2022
Vehicle service agreement fees and GAP commissions	IWS, Geminus and PWI	$ 58,775	$ 57,756	IWS, Geminus and PWI	$ 60,022	$ 58,775
Maintenance support service fees	Trinity	5,815	4,871	Trinity	4,179	5,815
Warranty product commissions	Trinity	4,564	4,317	Trinity	4,029	4,564
Homebuilder warranty service fees	PWSC (a)	4,348	7,099	PWSC (a)	—	4,348
Homebuilder warranty commissions	PWSC (a)	540	876	PWSC (a)	—	540
Business services consulting fees	Ravix, CSuite and SNS	19,238	3,482	Ravix and Csuite	19,403	16,836
Healthcare services				SNS and DDI	14,848	2,402
Software license and support fees				SPI	763	—
Service fee and commission revenue	Service fee and commission revenue	$ 93,280	$ 78,401	Service fee and commission revenue	$ 103,244	$ 93,280

(a) Through the July 29, 2022 disposal

During the first quarter of 2022, IWS recorded a net charge of $0.9 million relating to a change in estimate in accounting for deferred revenue and deferred contract costs associated with vehicle service agreement fees, resulting in an increase to deferred service fees of $1.1 million and an increase in deferred contract costs of $0.2 million.

Service fee receivables

Receivables from contracts with customers are reported as service fee receivable, net in the consolidated balance sheets and at December 31, 2022 2023 and December 31, 2021 2022 were$10.3 were $10.1 million and $6.7 10.3 million, respectively. The decrease in receivables from contracts with customers is primarily due to the timing difference between the Company's satisfaction of performance obligations and customer payments. At December 31, 2021, service fee receivable, net was $6.7 million. The increase in receivables from contracts with customers from December 31,2021 to December 31, 2022 is primarily due to receivables related to CSuite and SNS, which were acquired on November 1, 2022 and November 18, 2022, respectively, and the timing difference between the Company's satisfaction of performance obligations and customer payments; payments; partially offset by a decrease due to the disposal of PWSC on July 29, 2022.

Service fee receivable is reported net of an estimated allowance for credit losses. During the year ended December 31, 2023, the Company recorded an increase to its allowance for credit losses of $0.1 million. Service fee receivables that are deemed to be uncollectible are written off against the allowance for credit losses when identified. There was no material write-off of service fee receivable that was deemed to be uncollectible during the the year ended December 31, 2023.

Contract asset

The Company records a contract asset, which is included in other assets in the consolidated balance sheets, when revenue is recognized prior to billing the customer. Upon billing, which typically occurs over a three to five year installment period, the value of the contract asset is reversed and service fee receivable is recorded. The Company did not have a contract asset prior to December 31, 2022. The contract asset was $1.7 million and zero at December 31, 2023 and December 31, 2022, respectively. The increase in the contract asset during the year ended December 31, 2023 is primarily due to the contract asset acquired related to the acquisition of SPI of $1.8 million which was recorded at a provisional amount subject to finalization of the Company’s purchase price allocation, as further discussed in Note 4, "Acquisitions". During the year ended December 31, 2023, the contract asset was reduced by $0.1 million as a result of billings to customers.

No impairment losses related to contract assets were recorded during 2023.

Deferred service fees

The Company records deferred service fees resulting from contracts with customers when payment is received in advance of satisfying the performance obligations. Changes in deferred service fees for the years ended December 31, 2022 2023 and December 31, 2021 2022 were as follows:

(in thousands)	Years ended December 31,	Years ended December 31,
Balance, December 31, 2020	$ 87,945	
Deferral of revenue	60,415	
Recognition of deferred service fees	(59,143)	
Balance, December 31, 2021	89,217	$ 89,217
Deferral of revenue	61,058	61,058
Recognition of deferred service fees	(59,966)	(59,966)
Deferred service fees disposed of related to PWSC	(7,596)	(7,596)
Balance, December 31, 2022	$ 82,713	82,713
Deferred service fees acquired related to SPI		423
Deferral of revenue		56,712
Recognition of deferred service fees		(55,853)
Balance, December 31, 2023		$ 83,995

The increase in deferred service fees during the year ended December 31, 2023 is primarily due to additions to deferred service fees in excess of deferred service fees recognized during the year ended December 31, 2023. The decrease in deferred service fees during the year ended December 31, 2022 is primarily due to the disposal of PWSC on July 29, 2022, partially offset by additions to deferred service fees in excess of deferred service fees recognized during the year ended December 31, 2022 as cash sales have begun to increase. The increase

Approximately $44.6 million and $43.2 million of service fee and commission revenue recognized during the years ended December 31, 2023 and December 31, 2022 was included in deferred service fees during the year ended as of December 31, 2021 2022 is primarily due to additions to deferred service fees in excess of deferred service fees recognized during the year ended and December 31, 2021, that was partially offset by the adjustment recorded in the third quarter of 2021 of $3.6 million to reduce PWI's acquisition date deferred revenue to fair value. respectively.

Remaining performance obligations

The Company expects to recognize within one year as service fee and commission revenue approximately 52.7% 51.0% of the deferred service fees as outstanding performance obligations of December 31, 2022 2023. Approximately $43.2 million and $44.2 million of The balance relates primarily to vehicle service fee and commission revenue recognized during the years ended December 31, 2022 and December 31, 2021 was included in deferred service fees as of December 31, 2021 and December 31, 2020, respectively. agreement fees.

Deferred contract costs

Deferred contract costs represent the deferral of incremental costs to obtain or fulfill a contract with a customer. The deferred contract costs balances and related amortization expense for the years ended December 31, 2022 2023 and December 31, 2021 2022 are comprised as follows:

(in thousands)	Years ended December 31, 2022			Years ended December 31, 2021			Years ended December 31, 2023			Years ended December 31, 2022		
	Costs to Obtain a Contract	Costs to Fulfill a Contract	Total	Costs to Obtain a Contract	Costs to Fulfill a Contract	Total	Costs to Obtain a Contract	Costs to Fulfill a Contract	Total	Costs to Obtain a Contract	Costs to Fulfill a Contract	Total
Balance at January 1, net	$ 10,850	$ 80	$ 10,930	$ 8,759	$ 76	$ 8,835	$ 13,174	$ 83	$ 13,257	$ 10,850	$ 80	$ 10,930
Additions	9,273	21	9,294	8,674	27	8,701	9,381	24	9,405	9,273	21	9,294
Amortization	(6,949)	(18)	(6,967)	(6,583)	(23)	(6,606)	(8,902)	(26)	(8,928)	(6,949)	(18)	(6,967)
Balance at December 31, net	$ 13,174	$ 83	$ 13,257	$ 10,850	$ 80	$ 10,930	$ 13,653	$ 81	$ 13,734	$ 13,174	$ 83	$ 13,257

No impairment charges losses related to deferred contract costs were recorded in 2022 2023 or 2021 2022.

NOTE 15 INCOME TAXES

The Company and all of its eligible U.S. subsidiaries file a U.S. consolidated federal income tax return ("KFSI Tax Group"). The method of allocating federal income taxes among the companies in the KFSI Tax Group is subject to written agreement, approved by each company's Board of Directors. The allocation is made primarily on a separate return basis, with current credit for any net operating losses or other items utilized in the consolidated federal income tax return. The Company's non-U.S. subsidiaries file separate foreign income tax returns.

Income tax (benefit) expense (benefit) consists of the following:

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Current income tax expense	$ 3,419	$ 395	$ 25	$ 3,419
Deferred income tax expense (benefit)	1,406	(4,311)		
Income tax expense (benefit)	$ 4,825	$ (3,916)		
Deferred income tax (benefit) expense			(1,924)	1,406
Income tax (benefit) expense			$ (1,899)	$ 4,825

Income tax (benefit) expense (benefit) varies from the amount that would result by applying the applicable U.S. corporate income tax rate of 21% to income (loss) from continuing operations before income tax expense (benefit). expense. The following table summarizes the differences:

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Income tax expense (benefit) at U.S. statutory income tax rate	$ 7,341	$ (1,393)		
Income tax expense at U.S. statutory income tax rate			$ 4,967	$ 7,341
Valuation allowance	(10,100)	(3,103)	(7,678)	(10,100)
Indefinite life intangibles	106	215	258	106
Non-deductible compensation	867	649	435	867
Investment income	(62)	(253)	(18)	(62)
State income tax	3,052	338		
State income tax, net of Federal benefit			(2)	3,052
Disposition of subsidiary	3,268	—	(18)	3,268
Non-taxable income	—	(524)		
Other	353	155	157	353
Income tax expense (benefit) for continuing operations	$ 4,825	$ (3,916)		
Income tax (benefit) expense for continuing operations			$ (1,899)	$ 4,825

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities are presented as follows:

(in thousands)	December 31,		December 31,	
	2022	2021	2023	2022
Deferred income tax assets:				
Losses carried forward	$ 137,155	$ 181,096	$ 132,302	$ 137,155
Unpaid loss and loss adjustment expenses and unearned premiums	3,902	3,864	3,795	3,902
Intangible assets	1,380	1,050	1,109	1,380
Debt issuance costs	474	789	85	474
Investments	2,065	1,198	—	2,065
Deferred rent	64	586	65	64
Deferred revenue	147	1,603	253	147
Compensation	306	520	173	306
Other	155	131	608	155
Valuation allowance	(130,596)	(169,678)	(129,375)	(130,596)
Deferred income tax assets	$ 15,052	$ 21,159	$ 9,015	$ 15,052
Deferred income tax liabilities:				
Indefinite life intangibles	$ (3,815)	$ (19,179)	$ (4,152)	$ (3,815)
Depreciation and amortization	(756)	(14,485)	(1,180)	(756)
Fair value of debt	(7,598)	(4,048)	—	(7,598)
Land	(47)	(4,482)	(47)	(47)
Intangible assets	(2,606)	(3,698)	(3,175)	(2,606)
Deferred revenue	(1,188)	(1,443)	(1,499)	(1,188)
Investments	—	(35)	(168)	—
Deferred acquisition costs	(2,784)	(2,295)	(2,884)	(2,784)
Other	(434)	(47)	(951)	(434)
Deferred income tax liabilities	$ (19,228)	$ (49,712)	$ (14,056)	$ (19,228)
Net deferred income tax liabilities	$ (4,176)	$ (28,553)	$ (5,041)	$ (4,176)

The Company maintains a valuation allowance for its gross deferred income tax assets of $130.6 million $129.4 million (U.S. operations - $130.6 $129.4 million; Other - less than $0.1 million) and $169.7 million (U.S. $130.6 million (U.S. operations - $169.7 million; $130.6 million; Other - less than $0.1 million) at December 31, 2022 2023 and December 31, 2021 2022, respectively. The Company's businesses have generated substantial operating losses in prior years. These losses can be available to reduce income taxes that might otherwise be incurred on future taxable income; however, it is uncertain whether the Company will generate the taxable income necessary to utilize these losses or other reversing temporary differences. This uncertainty has caused management to place a full valuation allowance on its December 31, 2022 2023 and December 31, 2021 2022 net deferred income tax assets, excluding the deferred income tax asset and liability amounts set forth in the paragraph below.

In 2023, the Company (i) decreased by $2.1 million its valuation allowance primarily due to deferred tax liabilities assumed from corporate acquisitions; and (ii) increased by $0.3 million its valuation allowance relating to a change in indefinite life deferred income tax liabilities.
In2022, the Company (i) increased by $2.1 million its valuation allowance associated with business interest expense carryforwards with an indefinite life; and (ii) increased by $0.1 million its valuation allowance relating to a change in indefinite life deferred income tax liabilities.

In2021, the Company (i) released into income $2.0 million of its valuation allowance associated with business interest expense carryforwards with an indefinite life and (ii) released into income $3.3 million and $0.8 million of its valuation allowance, as a result of its acquisitions of PWI and Ravix, respectively, due to net deferred income tax liabilities that are expected to reverse during the period in which the Company will have deferred income tax assets available.

The Company carries net deferred income tax liabilities of$4.2 5.0 million and $28.6 4.2 million at December 31, 2022 2023 and December 31, 2021 2022, respectively, that consists of:

- Zero and $8.2 million of deferred income tax liabilities that are scheduled to reverse in periods after the expiration of the KFSI Tax Group's consolidated U.S. net operating loss carryforwards;
- $3.8 4.1 million and $23.8 million $3.8 million of deferred income tax liabilities related to land and indefinite life intangible assets; and
- Zero and $3.3 million of deferred income tax assets associated with business interest expense carryforwards with an indefinite life;
- Zero and $0.5 million of deferred state income tax assets; and
- $0.4 0.9 million and $0.4 of deferred state income tax liabilities.

The Tax Cuts and Jobs Act (the "Tax Act") modified the U.S. net operating loss deduction, effective with respect to losses arising in tax years beginning after December 31, 2017. The Tax Act, however, did not limit the utilization, in 2018 and later tax years, of U.S. net operating losses generated in 2017 and prior tax years.

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Amounts, originating dates and expiration dates of the KFSI Tax Group's consolidated U.S. net operating loss carryforwards, totaling $644.2 $623.1 million, are as follows:

Year of net operating loss	Expiration date	Net operating loss (in thousands)	Expiration date	Net operating loss (in thousands)
2009	2029	$ 406,477	2029	$ 385,406
2010	2030	92,058	2030	92,058
2011	2031	39,865	2031	39,866
2012	2032	30,884	2032	30,884
2013	2033	30,779	2033	30,779
2014	2034	7,245	2034	7,245
2016	2036	16,006	2036	16,006
2017	2037	20,848	2037	20,848

In addition, not reflected in the table above, are net operating loss carryforwards of (i) $8.9 million relating $6.9 million relating to losses generated in separate U.S. tax return years, which losses will expire over various years through 2037 and (ii) $0.1 million relating to non-U.S. operations, which losses will expire over various years through 2042. 2043.

A reconciliation of the beginning and ending unrecognized tax benefits related to discontinued operations, exclusive of interest and penalties, is as follows:

(in thousands)	December 31,		December 31,	
	2022	2021	2023	2022
Unrecognized tax benefits - beginning of year	$ 65	$ 1,381	$ —	$ 65
Gross additions	—	—	—	—
Gross reductions	(65)	—	—	(65)
Impact due to expiration of statute of limitations	—	(1,316)	—	—
Unrecognized tax benefits - end of year	$ —	$ 65	$ —	$ —

The amount of unrecognized tax benefits that, if recognized as of December 31, 2022 2023 and December 31, 2021 2022 would affect the Company's effective tax rate on discontinued operations, was a benefit of $0.1 million zero and $2.8 million $0.1 million, respectively.

During the year years ended December 31, 2023 and December 31, 2022, the Company recorded an income tax benefit of zero and $0.2 million, respectively, for the release of a liability for unrecognized tax benefits (including interest and penalties) that had been included in income taxes payable in the consolidated balance sheets. The Company carried a liability for unrecognized tax benefits of zero and $0.1 million as of December 31, 2022 and December 31, 2021, respectively, that is included in income taxes payable in the consolidated balance sheets. The Company classifies interest and penalty accruals, if any, related to unrecognized tax benefits as income tax expense (benefit). expense. During the years ended December 31, 2022 2023 and December 31, 2021 2022, the Company recognized a benefit of $0.1 million zero and $1.5 million $0.1 million, respectively, for interest and penalties, which are included in income (loss) income from discontinued operations, net of taxes. At December 31, 2022 and December 31, 2021, the Company carried an accrual for the payment of interest and penalties of zero and $0.1 million, respectively, that is included in income taxes payable in the consolidated balance sheets.

The federal income tax returns of the Company's U.S. operations for the years through 2018 2019 are closed for Internal Revenue Service ("IRS") examination. The Company's federal income tax returns are not currently under examination by the IRS for any open tax years. The federal income tax returns of the Company's Canadian operations for the years through 2017 2018 are closed for Canada Revenue Agency ("CRA") examination. The Company's Canadian federal income tax returns are not currently under examination by the CRA for any open tax years.

NOTE 16 EARNINGS (LOSS) PER SHARE

The following table sets forth the reconciliation of numerators and denominators for the basic and diluted earnings (loss) per share computation for the years ended December 31, 2022 2023 and December 31, 2021 2022:

(in thousands, except per share data)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Numerator:				
Income (loss) from continuing operations	$ 30,132	$ (2,714)		
Plus (less): net loss (income) from continuing operations attributable to noncontrolling interests	1,471	(1,660)		
Income from continuing operations			$ 25,550	$ 30,132
(Less) plus: net (income) loss from continuing operations attributable to noncontrolling interests			(453)	1,471
Less: dividends on preferred stock, net of tax	(306)	(494)	(74)	(306)
Numerator used in calculating basic earnings (loss) per share from continuing operations attributable to common shareholders	$ 31,297	$ (4,868)		
Numerator used in calculating basic earnings per share from continuing operations attributable to common shareholders			$ 25,023	$ 31,297

Adjustment to add-back dividends on preferred stock	306	—	74	306
Adjustment for proportionate interest in Ravix and SNS's earnings attributable to common stock	76	—		
Numerator used in calculating diluted earnings (loss) per share from continuing operations attributable to common shareholders	$ 31,679	$ (4,868)		
Loss (income) from discontinued operations	(15,067)	4,574		
Plus (less): net loss (income) from discontinued operations attributable to noncontrolling interests	8,186	(542)		
Numerator used in calculating diluted earnings (loss) per share - net income (loss) attributable to common shareholders	$ 24,798	$ (836)		
Adjustment for proportionate interest in subsidiaries' (loss) earnings attributable to common stock			(6)	76
Numerator used in calculating diluted earnings per share from continuing operations attributable to common shareholders			$ 25,091	$ 31,679
Loss from discontinued operations			(1,538)	(15,067)
Plus: net loss from discontinued operations attributable to noncontrolling interests			—	8,186
Numerator used in calculating diluted earnings per share - net income attributable to common shareholders			$ 23,553	$ 24,798
Denominator:				
Weighted average basic shares				
Weighted average common shares outstanding	22,961	22,537	25,713	22,961
Weighted average diluted shares				
Weighted average common shares outstanding	22,961	22,537	25,713	22,961
Effect of potentially dilutive securities (a)				
Unvested restricted stock awards	596	—	735	596
Warrants	811	—	—	811
Convertible preferred stock	936	—	—	936
Total weighted average diluted shares	25,304	22,537	26,448	25,304
Basic earnings (loss) attributable to common shareholders:				
Continuing operations	$ 1.36	$ (0.22)	$ 0.97	$ 1.36
Discontinued operations	$ (0.30)	$ 0.18	$ (0.06)	$ (0.30)
Basic earnings (loss) per share - net income (loss) attributable to common shareholders	$ 1.06	$ (0.04)		
Basic earnings per share - net income attributable to common shareholders			$ 0.91	$ 1.06
Diluted earnings (loss) attributable to common shareholders:				
Continuing operations	$ 1.25	$ (0.22)	$ 0.95	$ 1.25
Discontinued operations	$ (0.27)	$ 0.18	$ (0.06)	$ (0.27)
Diluted earnings (loss) per share - net income (loss) attributable to common shareholders	$ 0.98	$ (0.04)		
Diluted earnings per share - net income attributable to common shareholders			$ 0.89	$ 0.98

(a) Potentially dilutive securities consist of unvested restricted stock awards and warrants, calculated using the treasury stock method, and convertible preferred stock. Because stock, using the Company is reporting a loss from continuing operations attributable to common shareholders for the year ended December 31, 2021, all potentially dilutive securities outstanding were excluded from the calculation of diluted loss from continuing operations per share since their inclusion would have been anti-dilutive. if-converted method.

Basic earnings (loss) per share excludes dilution and is computed by dividing income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings (loss) per share is calculated using weighted-average diluted shares. Weighted-average diluted shares is calculated by adding the effect of potentially dilutive securities to weighted-average common shares outstanding. Potentially dilutive securities are excluded from the diluted earnings (loss) per share computation in loss periods and when the applicable exercise price is greater than the market price on the period end date as their effect would be anti-dilutive.

The following weighted-average potentially dilutive securities are not included in the diluted earnings (loss) per share calculations above because they would have had an antidilutive effect on the earnings (loss) per share:

	Years ended December 31,	
	2022	2021
Unvested restricted stock awards	550,528	1,252,754
Warrants	—	4,573,765
Convertible preferred stock	—	1,060,831
Total	550,528	6,887,350

	Years ended December 31,	
	2023	2022
Unvested restricted stock awards	—	25,111
Warrants	—	—
Convertible preferred stock	—	—
Total	—	25,111

NOTE 17 STOCK-BASED COMPENSATION

On September 21, 2020, the Company's shareholders approved the 2020 Equity Incentive Plan (the "2020 Plan"). The 2020 Plan replaced the Company's previous 2013 Equity Incentive Plan (the "2013 Plan") with respect to the granting of future equity awards. The 2020 Plan permits the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Performance Share Awards, Dividend Equivalent Rights, Other Stock-Based Awards and Cash-Based Awards (collectively "Awards"). Under the 2020 Plan, an aggregate of 1.6 million common shares will be available for all Awards, subject to adjustment in the event of certain corporate transactions.

(a) Restricted Stock Awards of the Company

Under the 2013 Plan, the Company granted 500,000 restricted common stock awards to an officer on September 5, 2018 (the "2018 Restricted Stock Award"). The 2018 Restricted Stock Award shall become fully vested and the restriction period shall lapse as of March 28, 2024 subject to the officer's continued employment through the vesting date. The 2018 Restricted Stock Award is amortized on a straight-line basis over the requisite service period. The grant-date fair value of the 2018 Restricted Stock Award was determined using the closing price of Kingsway common stock on the date of grant. Total unamortized compensation expense related to unvested 2018 Restricted Stock Award at December 31, 2022 2023 was $0.5 0.1 million.

Under the 2020 Plan, the Company has granted restricted common stock awards to certain officers of the Company during 2022 and 2021 (the "2020 Plan Restricted Stock Awards"). The 2020 Plan Restricted Stock Awards vest according to a graded vesting schedule and shall become fully vested subject to the officers' continued employment through the applicable vesting dates. The 2020 Plan Restricted Stock Awards are amortized on a straight-line basis over the requisite service periods. The grant-date fair values of the 2020 Plan Restricted Stock Awards were determined using the closing price of Kingsway common stock on the dates of grant. During the year ended December 31, 2022 2023, 130,918 119,289 shares of the 2020 Plan Restricted Stock Awards became fully vested. Total unamortized compensation expense related to unvested 2020 Plan Restricted Stock Awards at December 31, 2022 2023 was $2.9 $2.3 million.

The following table summarizes the activity related to unvested 2020 Plan Restricted Stock Awards and 2018 Restricted Stock Award (collectively "Restricted Stock Awards") during the year ended December 31, 2022 2023:

	Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value (per Share)	Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value (per Share)
Unvested at December 31, 2021	1,252,754	$ 5.09		
Unvested at December 31, 2022			1,146,947	$ 5.19
Granted	25,111	7.25	—	—
Vested	(73,437)	4.67	(66,768)	4.87
Cancelled for Tax Withholding	(57,481)	4.67	(52,521)	4.87

Unvested at December 31, 2022	1,146,947	$	5.19			
Unvested at December 31, 2023				1,027,658	$	5.22

The unvested balance at December 31, 2022 2023 in the table above is comprised of 646,947 527,658 shares of the 2020 Plan Restricted Stock Awards and 500,000 shares of the 2018 Restricted Stock Award.

Stock-based compensation expense related to the Restricted Stock Awards was $1.0 million and $2.1 1.0 million for the years ended December 31, 2022 2023 and December 31, 2021 2022, respectively.

(b) Restricted Stock Awards of PWSC

PWSC granted 1,000 restricted Class B common stock awards ("2018 PWSC RSA") to an officer of PWSC pursuant to an agreement dated September 7, 2018. The 2018 PWSC RSA contained both a service and a performance condition that affected vesting. On December 18, 2020, the 2018 PWSC RSA was amended to modify the vesting terms related to the service and performance condition ("Modified PWSC RSA").

PWSC granted 250 restricted Class B common stock awards to an officer of PWSC pursuant to an agreement dated December 18, 2020 ("2020 PWSC RSA"). The 2020 PWSC RSA contained both a service and a performance condition that affected vesting.

As discussed in Note 5, "Disposal and Discontinued Operations," the Company sold PWSC on July 29, 2022; therefore there are no outstanding Modified PWSC RSA and 2020 PWSC RSA reported in the consolidated balance sheet at December 31, 2023 and December 31, 2022.

The service condition for the Modified PWSC RSA and the 2020 PWSC RSA vested according to a graded vesting schedule. The performance condition was based on the internal rate of return of PWSC. The grant-date fair value of the Modified PWSC RSA and the 2020 PWSC RSA were estimated using an internal valuation model. See Note 23, "Fair Value of Financial Instruments," for further discussion related to the valuation of the Modified PWSC RSA and the 2020 PWSC RSA.

The Modified PWSC RSA and the 2020 PWSC RSA included a noncontingent put option that was exercisable between February 20, 2022 and February 20, 2023. Since the put option is exercisable less than six months after the vesting of certain shares, the compensation expense related to these shares was classified as a liability and included in accrued expenses and other liabilities in the consolidated balance sheet at December 31, 2021.

On February 20, 2022, both the service condition and performance condition of the Modified PWSC RSA became fully vested. During the year ended December 31, 2022, 437.50 shares of the Modified RSA became fully vested. At December 31, 2022andDecember 31, 2021, there were zero and 437.50 unvested shares, respectively, of the Modified PWSC RSA with a weighted-average grant date fair value of $1,672 per share. Total unamortized compensation expense related to the Modified PWSC RSA at December 31, 2022 was zero.

On February 20, 2022, both the service condition and performance condition of the 2020 PWSC RSA became fully vested. During the year ended December 31, 2022, 109.38 shares of the 2020 PWSC RSA became fully vested. At December 31, 2022 2023 and December 31, 2021 2022, there were zero and 109.38 unvested shares respectively, of both the Modified PWSC RSA and the 2020 PWSC RSA with a weighted-average grant date fair value of $1,672 per share. Total unamortized compensation expense related to the 2020 PWSC RSA at December 31, 2022 was zero. RSA.

Stock-based compensation expense related to the Restricted Stock Awards of PWSC was $2.8 million and $1.2 2.8 million for the years year ended December 31, 2022and December 31, 2021, respectively. .

(c) Restricted Common Unit Awards of Ravix

Ravix LLC granted 199,000 restricted Class B common unit awards to an officer of Ravix pursuant to an agreement dated October 1, 2021 ("2021 Ravix RUA"). The 2021 Ravix RUA vests based on service and the achievement of criteria based on the internal rate of return ("IRR") of Ravix.

The grant-date fair value of the 2021 Ravix RUA was estimated using the Black-Scholes option pricing model, using the following assumptions: expected term of four years, expected volatility of 75%, expected dividend yield of zero, and risk-free interest rate of 0.93%.

On October 1, 2021, 83,333 shares, units, representing one half of the service condition for the 2021 Ravix RUA, became became fully vested. The remainder of the service condition vests according to a graded vesting schedule and shall become fully vested subject to the officer's continued employment through the applicable vesting dates.

On November 1, 2022, the Company modified the inputs related to the IRR portion of the 2021 Ravix RUA to be based on the combined internal rate of return of Ravix and CSuite. The modified portion of the awards was probable of vesting both immediately before and after the modification. As a result, the fair value of the award that is subject to the IRR was measured at the modification date and compared to the fair value of the modified portion of the award immediately prior to the modification, with the difference resulting in incremental compensation expense of less than $0.1 million. The incremental fair value was estimated using the Monte Carlo simulation model, using the following assumptions at the modification date: expected term of 2.92 years, expected volatility of 72% and risk-free interest rate of 4.44%; and the following assumptions prior to the modification: expected term of 2.92 years, expected volatility of 58% and risk-free interest rate of 4.44%.

During the year ended December 31, 2022 2023, 24,306 shares 20,833 units of the 2021 Ravix RUA became fully vested. At December 31, 2023 and December 31, 2022, there were 70,528 and 91,361 unvested shares units, respectively, of the 2021 Ravix RUA with a weighted-average grant date fair value of $3.08 per share. Total Class B common unit. Total unamortized compensation expense related to unvested 2021 Ravix RUA at December 31, 2022 2023 was $0.3 0.2 million.

Stock-based compensation expense related to the 2021 Ravix RUA was $0.1 million and $0.3 0.1 million for the years ended December 31, 2022 2023 and December 31, 2021 2022, respectively.

(d) Restricted Common Unit Awards of SNS

Pegasus LLC granted 75,000 restricted Class B common unit awards to an officer of SNS pursuant to an agreement dated November 18, 2022 ("SNS RUA"). The SNS RUA vests based on service and the achievement of criteria based on the IRR of SNS.

The grant-date fair value of the SNS RUA was estimated using the Monte Carlo simulation model, using the following assumptions : expected term of four years, expected volatility of 85% and risk-free interest rate of 4.09%.

On November 18, 2022, 25,000 shares, units, representing one half of the service condition for the SNS RUA, became fully vested. The remainder of the service condition vests according to a graded vesting schedule and shall become fully vested subject to the officer's continued employment through the applicable vesting dates.

During the year ended December 31, 2023, 6,771 units of the SNS RUA became fully vested. AtDecember 31, 2023 and December 31, 2022, there were 43,229 and 50,000 unvested shares units, respectively, of the SNS RUA with a weighted-average grant date fair value of $5.95 $5.84 and$5.95per share.Class B common unit, respectively. Total unamortized compensation expense related to unvested SNS RUA at December 31, 2022 2023was $0.3 0.2 million.

Stock-based compensation expense related to the SNS RUA was $0.2 0.1 million and $0.2 million for the years ended December 31, 2023 and December 31, 2022, respectively.

(e) Restricted Common Unit Awards of SPI

Vertical Market Solutions LLC, a subsidiary of the Company, granted 199,000 restricted Class B common unit awards to an officer of SPI pursuant to an agreement dated September 7, 2023 ("SPI RUA"). The SPI RUA vests based on service and the achievement of criteria based on the IRR of SPI.

The grant-date fair value of the SPI RUA was estimated using the Monte Carlo simulation model, using the following assumptions : expected term of five years, expected volatility of 59% and risk-free interest rate of 4.29%.

On September 7, 2023, 83,333 units, representing one half of the service condition for the SPI RUA, became fully vested. The remainder of the service condition vests according to a graded vesting schedule and shall become fully vested subject to the officer's continued employment through the applicable vesting dates.

At December 31, 2023, there were 115,667 unvested units of the SPI RUA with a weighted-average grant date fair value of $1.11 per Class B common unit. Total unamortized compensation expense related to unvested SPI RUA at December 31, 2023was $0.1 million.

Stock-based compensation expense related to the SPI RUA w as $0.1 million for the year ended December 31, 2023.

(f) Restricted Common Unit Awards of DDI

DDI LLC granted 199,000 restricted Class B common unit awards to an officer of DDI pursuant to an agreement dated October 26, 2023 ("DDI RUA"). The DDI RUA vests based on service and the achievement of criteria based on the IRR of DDI.

The grant-date fair value of the DDI RUA was estimated using the Monte Carlo simulation model, using the following assumptions : expected term of five years, expected volatility of 57% and risk-free interest rate of 4.68%.

On October 26, 2023, 83,333 units, representing one half of the service condition for the DDI RUA, became fully vested. The remainder of the service condition vests according to a graded vesting schedule and shall become fully vested subject to the officer's continued employment through the applicable vesting dates.

At December 31, 2023, there were 115,667 unvested units of the DDI RUA with a weighted-average grant date fair value of $4.16 per Class B common unit. Total unamortized compensation expense related to unvested DDI RUA at December 31, 2023was $0.5 million.

Stock-based compensation expense related to the DDI RUA w as $0.4 million for the year ended December 31, 2022 2023.

(e) (g) Employee Share Purchase Plan

The Company has an employee share purchase plan ("ESPP Plan") whereby qualifying employees can choose each year to have up to 5% of their annual base earnings withheld to purchase the Company's common shares. After one year of employment, the Company matches 100% of the employee contribution amount, and the contributions vest immediately. All contributions are used by the plan administrator to purchase common shares in the open market. The Company's contribution is expensed as paid and for the years ended December 31, 2022 2023 and December 31, 2021 2022 totaled $0.2$0.2 million and $0.2 million, respectively.

NOTE 18 EMPLOYEE BENEFIT PLAN

The Company maintains a defined contribution plan in the United States for all of its qualified employees. Qualifying employees can choose to voluntarily contribute up to 60% of their annual earnings subject to an overall limitation of $20,500 $22,500 and $19,500 $20,500 in 2022 2023 and 2021 2022, respectively. The Company matches an amount equal to 50% of each participant's contribution, limited to the lesser of contributions up to 5% of a participant's earnings or $7,250.

The contributions for the plan vest based on years of service with 100% vesting after five years of service. The Company's contribution is expensed as paid and for the years ended December 31, 2022 2023 and December 31, 2021 2022 totaled $0.5 million and $0.4 $0.5 million, respectively. All Company obligations to the plans were fully funded as of December 31, 2022 2023.

NOTE 19 REDEEMABLE CLASS A PREFERRED STOCK

On May 13, 2013, the Company's shareholders approved an amendment to the Company's Articles of Incorporation to create an unlimited number of zero par value class A preferred shares. The Company's Board of Directors have had the ability to fix the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of preferred shares. The preferred shares have had priority over the common shares.

On March 1, 2023, the Company notified the holders of its outstanding Class A Preferred Shares ("Preferred Shares") of its intention to redeem all the outstanding Preferred Shares on March 15, 2023 (the "Anticipated Redemption Date"). The Preferred Shares were convertible into shares of the Company's common stock at the discretion of the holders. Prior to the Anticipated Redemption Date, the Company had received notice from all of the holders of the Preferred Shares of their intention to convert their shares.

There were 149,733zero and 169,733 149,733 shares of Preferred Shares outstanding at December 31, 2022 2023 and December 31, 2021 2022, respectively. Each Preferred Share is was convertible into 6.25 common shares at a conversion price of $4.00 per common share any time at the option of the holder prior to the redemption date. During 2022 2023 and 2021 2022, 20,000 149,733 and 13,143 20,000 Preferred Shares, respectively, were converted into 125,000 935,831 and 82,143 125,000 common shares, respectively, at the conversion price of $4.00 per common share, or $0.5 $3.7 million and $0.3 $0.5 million, respectively, at the option of the holders. As of December 31, 2022, the maximum number of common shares issuable upon conversion of the Preferred Shares is 935,831 common shares.

The Preferred Shares are not entitled Prior to vote. The holders of the Preferred Shares are entitled to receive fixed, cumulative, preferential cash dividends at a rate of $1.25 per Preferred Share per year. The cash dividend rate shall be revised to $1.875 per Preferred Share per year if the dividend accumulates for a period greater than 30 consecutive months from the date of the most recent dividend payment. On and after February 3, 2016, redemption, the Company may redeem all or any part of the then outstanding Preferred Shares for the price of $28.75 per Preferred Share, plus accrued but unpaid dividends thereon, whether or not declared, up to and including the date specified for redemption. The Company will redeem any Preferred Shares not previously converted into common shares, and which remain outstanding on the redemption date, for the price of $25.00 per Preferred Share, plus accrued but unpaid dividends, whether or not declared, up to and including the date specified for redemption.

As discussed in "Note 2(s), "Summary of Significant Accounting Policies - Holding company liquidity," the outstanding Preferred Shares were required to be redeemed by the Company on April 1, 2021 ("Redemption Date"). However, the Company has exercised its right to defer payment of interest on its outstanding subordinated debt ("trust preferred securities") and, therefore is prohibited from redeeming any shares of its capital stock while payment of interest on the trust preferred securities is being deferred. As such, the Preferred Shares were not redeemed on the Redemption Date and instead remain outstanding with a redemption value of $6.0 million as of December 31, 2022. None of the terms of the Preferred Shares have changed after the Redemption Date. The Preferred Shares continue to be convertible into common shares at the discretion of the holder, and will accrue dividends until such time that either (i) the shares are converted at the discretion of the holder or (ii) the interest on the trust preferred securities is no longer deferred and the Company redeems the outstanding Preferred Shares at that time.

The Company accrues dividends through additional paid-in-capital at the stated coupon. At December 31, 2022 2023 and December 31, 2021 2022, accrued dividends of $2.3 million zero and $2.3 million were included in Class A preferred stock in the consolidated balance sheets. The redemption amount of the Preferred Shares was $6.0 millionzero and $6.5 6.0 million at December 31, 2022 2023 and December 31, 2021 2022, respectively.

In accordance with FASB ASC Topic 480-10-S99-3A, *SEC Staff Announcement: Classification and Measurement of Redeemable Securities*, redemption features not solely within the control of the issuer are required to be presented outside of permanent equity on the consolidated balance sheets. As described above, the holder has had the option to convert the Preferred Shares at any time; however, if not converted, they are required to be redeemed when the Company has sufficient legally available funds and is not otherwise prohibited from doing so. As such, the Preferred Shares are presented in temporary or mezzanine equity on the consolidated balance sheets. sheet at December 31, 2022.

NOTE 20 SHAREHOLDERS' EQUITY

The Company is authorized to issue 50,000,000 shares of zero par value common stock. There were 23,190,080 27,101,613 and 22,882,614 23,190,080 shares of common stock outstanding at December 31, 2022 2023 and December 31, 2021 2022, respectively.

There were no dividends declared during the years ended December 31, 2022 2023 and December 31, 2021 2022.

As described in Note 19, "Redeemable Class A Preferred Stock", during 2022 2023 and 2021 2022, 20,000 149,733 and 13,143 20,000 Preferred Shares, respectively, were converted into 125,000 935,831 and 82,143 125,000 common shares, respectively. As a result, $0.8 $6.1 million and $0.5 $0.8 million was reclassified from redeemable Class A preferred stock to additional paid-in capital on the consolidated balance sheets at December 31, 2022 2023 and December 31, 2021 2022, respectively.

On March 21, 2023,

Notes the Company's Board of Directors approved a security repurchase program under which the Company is authorized to Consolidated Financial Statements repurchase up to $10.0 million of its currently issued and outstanding securities through March 22, 2024. The timing and amount of any repurchases are determined based on market and economic conditions, share price and other factors, and the program may be terminated, modified or suspended at any time at the Company's discretion. During the year ended December 31, 2023, the Company repurchased, in the aggregate, 1,516,588 shares of common stock and warrants to purchase common stock for an aggregate purchase price of approximately $7.2 million, including fees and commissions. The repurchased common stock will be held as treasury stock at cost and has been removed from common shares outstanding as of December 31, 2023.

There were 247,450 shares 670,177 and 247,450shares of treasury stock outstanding at December 31, 2022 2023 and December 31, 2021 2022. , respectively. The Company records treasury stock at cost.

At December 31, 2022, the The Company has 4,464,736 previously had warrants outstanding that expire expired on September 15, 2023. The Prior to the expiration thereof, the warrants are were recorded in shareholders' equity and entitle entitled each subscriber to purchase one common share of Kingsway at an exercise price of $5.00 for each warrant. During the years ended 2022 December 31, 2023 and 2021 December 31, 2022, warrants to purchase 109,029 3,331,661 and 350,000 109,029 shares of common stock, respectively, were exercised, resulting in cash proceeds proceeds of $0.5 $16.7 million and $0.5$1.8 million, respectively. respectively. Any warrants that were not exercised prior to the expiration date became null and void on the expiration date.

In early

January 2023, 71a holder exercised 611,547 of warrants, resulting in cash proceeds

Notes to the Company of $3.1 million. The Company has seen an increase in warrant exercises in 2023, compared to prior periods.

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NOTE 21 ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The table below details the change in the balance of each component of accumulated other comprehensive (loss) income, net of tax, for the years ended December 31, 2022 2023 and December 31, 2021 2022, as it relates to shareholders' equity attributable to common shareholders on the consolidated balance sheets.

(in thousands)	Unrealized Gains	Change in Fair Value of Debt Attributable	Total	Unrealized Gains	Change in Fair Value of Debt Attributable	Total

	(Losses) on Available-for-Sale Investments	Foreign Currency Translation Adjustments	to Instrument-Specific Credit Risk	Accumulated Other Comprehensive Income (Loss)	(Losses) on Available-for-Sale Investments	Foreign Currency Translation Adjustments	to Instrument-Specific Credit Risk	Accumulated Other Comprehensive Income (Loss)
Balance, December 31, 2020	$ 216	$ (3,286)	$ 41,129	$ 38,059				
Other comprehensive loss arising during the period	(463)	—	(6,844)	(7,307)				
Amounts reclassified from accumulated other comprehensive income	27	—	—	27				
Net current-period other comprehensive loss	(436)	—	(6,844)	(7,280)				
Balance, December 31, 2021	$ (220)	$ (3,286)	$ 34,285	$ 30,779	$ (220)	$ (3,286)	$ 34,285	$ 30,779
Other comprehensive loss arising during the period	(2,266)	—	(1,930)	(4,196)	(2,266)	—	(1,930)	(4,196)
Amounts reclassified from accumulated other comprehensive income	22	—	—	22	22	—	—	22
Net current-period other comprehensive loss	(2,244)	—	(1,930)	(4,174)	(2,244)	—	(1,930)	(4,174)
Balance, December 31, 2022	$ (2,464)	$ (3,286)	$ 32,355	$ 26,605	$ (2,464)	$ (3,286)	$ 32,355	$ 26,605
Other comprehensive income (loss) arising during the period					1,065	—	(1,836)	(771)
Amounts reclassified from accumulated other comprehensive income					(197)	—	(27,177)	(27,374)
Net current-period other comprehensive income (loss)					868	—	(29,013)	(28,145)
Balance, December 31, 2023					$ (1,596)	$ (3,286)	$ 3,342	$ (1,540)

It should be noted that the consolidated statements of comprehensive (loss) income (loss) present the components of other comprehensive loss, net of tax, only for the years ended December 31, 2022 2023 and December 31, 2021 2022 and inclusive of the components attributable to noncontrolling interests in consolidated subsidiaries.

Components of accumulated other comprehensive (loss) income were reclassified to the following lines of the consolidated statements of operations for the years ended December 31, 2022 2023 and December 31, 2021 2022:

(in thousands)	Years ended December 31, 2022	2021
Reclassification of accumulated other comprehensive income from unrealized gains (losses) on available-for-sale investments to:		
Net realized gains	$ (22)	$ (27)
Other-than-temporary impairment loss	—	—
Income (loss) from continuing operations before income tax expense (benefit)	(22)	(27)
Income tax expense (benefit)	—	—
Income (loss) from continuing operations	(22)	(27)
(Loss) income from discontinued operations, net of taxes	—	—
Net income	$ (22)	$ (27)

(in thousands)	Years ended December 31, 2023	2022
Reclassification of accumulated other comprehensive income from unrealized gains (losses) on available-for-sale investments to:		

Net realized gains	$ 197	$ (22)
Reclassification of accumulated other comprehensive income from change in fair value of debt attributable to instrument-specific credit risk to:		
Gain on extinguishment of debt	27,177	—
Income from continuing operations before income tax (benefit) expense	27,374	(22)
Income tax (benefit) expense	—	—
Income from continuing operations, net of taxes	27,374	(22)
Income (loss) from discontinued operations, net of taxes	—	—
Net income	$ 27,374	$ (22)

NOTE 22 SEGMENTED INFORMATION

The Company reports segment information based on the "management" approach. The management approach designates the internal reporting used by management for making decisions and assessing performance as a source of the Company's reportable operating segments. The Company conducts its business through the following two reportable segments: Extended Warranty and Kingsway Search Xcelerator.

Prior to the fourth quarter of 2022, the Company conducted its business through a third reportable segment, Leased Real Estate. Leased Real Estate included the following subsidiaries of the Company: CMC and VA Lafayette. As further discussed in Note 5, "Disposal and Discontinued Operations," both CMC and VA Lafayette have been classified as discontinued operations and the results of their operations are reported separately for all periods presented. As such, the Leased Real Estate segment no longer exists and all segmented information has been restated to exclude the Leased Real Estate segment for all periods presented.

Extended Warranty Segment

Extended Warranty includes the following subsidiaries of the Company: IWS, Geminus, PWI, PWSC and Trinity (collectively, "Extended Warranty"). As discussed in Note 5, "Disposal and Discontinued Operations," the Company disposed of PWSC on July 29, 2022. The earnings of PWSC are included in the consolidated statements of operations and the segment disclosures through the disposal date.

IWS is a licensed motor vehicle service agreement company and is a provider of after-market vehicle protection services distributed by credit unions in 25 24 states and the District of Columbia to their members, with customers in all 50 states.

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Geminus primarily sells vehicle service agreements to used car buyers across the United States, through its subsidiaries, Penn and Prime. Penn and Prime distribute these products in 39 47 and 40 states, respectively, via independent used car dealerships and franchised car dealerships.

PWI markets, sells and administers vehicle service agreements to used car buyers in all fifty states via independent used car and franchise network of approved automobile and motorcycle dealer partners. PWI's business model is supported by an internal sales and operations team and partners with American Auto Shield in three states with a "white label" agreement. PWI also has a "white label" agreement with a third-party that sells and administers a GAP guaranteed asset protection product ("GAP"), under the Penn name, in certain states.states where Penn is approved.

PWSC sells sold home warranty products and provides provided administration services to homebuilders and homeowners across the United States. PWSC distributes distributed its products and services through an in house sales team and through insurance brokers and insurance carriers throughout all states except Alaska and Louisiana.

Trinity sells HVAC, standby generator, commercial LED lighting and commercial refrigeration warranty products and provides equipment breakdown and maintenance support services to companies across the United States. As a seller of warranty products, Trinity markets and administers product warranty contracts for certain new and used products in the HVAC, standby generator, commercial LED lighting and commercial refrigeration industries throughout the United States. Trinity acts as an agent on behalf of the third-party insurance companies that underwrite and guaranty these warranty contracts. Trinity does not guaranty the performance underlying the warranty contracts it sells. As a provider of equipment breakdown and maintenance support services, Trinity acts as a single point of contact to its clients for both certain equipment breakdowns and scheduled maintenance of equipment. Trinity will provide such repair and breakdown services by contracting with certain HVAC providers.

Kingsway Search Xcelerator Segment

Kingsway Search Xcelerator includes the Company's subsidiaries CSuite, Ravix, SNS, SPI and SNS. DDI.

CSuite is a professional services firm that provides experienced chief financial executive services, for officer and other finance professionals to its clients through a variety of flexible offerings. These offerings include project and interim-staffing interim staffing engagements, and contingent search services for full-time permanent placements for customers its clients throughout the United States.

Ravix provides outsourced financial services and human resources consulting for short or long duration engagements for customers in several states. customers throughout the United States.

SNS provides healthcare staffing services to acute healthcare facilities on a contract or per diem basis in the United States, primarily in California.
SPI provides software products created exclusively to serve the management needs of all types of shared-ownership properties throughout the United States, Europe, Asia, Mexico and the Caribbean.
DDI provides outsourced 24 hours a day and 7 days per week ("24/7") cardiac telemetry services for long-term acute care ("LTAC") and inpatient rehabilitation hospitals. Outsourcing cardiac monitoring is intended to allow hospitals to eliminate personnel callouts and human resources issues, remove distractions from onsite operations, and free up facility staff to assist directly with patient care. DDI has been operating for over 10 years and currently has a presence in 42 states.

Revenues and Operating Income by Reportable Segment

Results for the Company's reportable segments are based on the Company's internal financial reporting systems and are consistent with those followed in the preparation of the consolidated financial statements. The following tables provide financial data used by management. Segment assets are not allocated for management use and, therefore, are not included in the segment disclosures below.

Revenues by reportable segment reconciled to consolidated revenues for the years ended December 31, 2022 2023 and December 31, 2021 2022 were:

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Revenues:				
Service fee and commission revenue - Extended Warranty	$ 74,042	$ 74,919	$ 68,231	$ 74,042
Service fee and commission revenue - Kingsway Search Xcelerator	19,238	3,482	35,013	19,238
Total revenues	$ 93,280	$ 78,401	$ 103,244	$ 93,280

The operating income by reportable segment in the following table is before income taxes and includes revenues and direct segment costs. Total segment operating income reconciled to the consolidated income (loss) from continuing operations for the years ended December 31, 2022 2023 and December 31, 2021 2022 were:

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Segment operating income				
Extended Warranty (a)	$ 9,879	$ 12,636	$ 6,983	$ 9,879
Kingsway Search Xcelerator	3,548	484	5,252	3,548
Total segment operating income	13,427	13,120	12,235	13,427

Net investment income	2,305	1,575	1,804	2,305
Net realized gains	1,209	1,809	761	1,209
Loss on change in fair value of equity investments	(26)	(242)		
(Loss) gain on change in fair value of limited liability investments, at fair value	(1,754)	2,391		
Net gain (loss) on equity investments			3,397	(26)
Gain (loss) on change in fair value of limited liability investments, at fair value			78	(1,754)
Net change in unrealized gain on private company investments			63	—
Gain on change in fair value of real estate investments	1,488	—	—	1,488
Gain on change in fair value of derivative asset option contracts	16,730	—		
Impairment losses			(229)	—
(Loss) gain on change in fair value of derivative asset option contracts			(1,366)	16,730
Interest expense	(8,092)	(6,161)	(6,250)	(8,092)
Other revenue and expenses not allocated to segments, net	(17,206)	(11,395)	(12,823)	(17,206)
Amortization of intangible assets	(6,133)	(4,837)	(5,909)	(6,133)
Loss on change in fair value of debt	(4,908)	(3,201)	(68)	(4,908)
Gain on disposal of subsidiary	37,917	—	342	37,917
Gain on extinguishment of debt not allocated to segments	—	311		
Income (loss) from continuing operations before income tax expense (benefit)	34,957	(6,630)		
Income tax expense (benefit)	4,825	(3,916)		
Income (loss) from continuing operations	$ 30,132	$ (2,714)		
Gain on extinguishment of debt			31,616	—
Income from continuing operations before income tax (benefit) expense			23,651	34,957
Income tax (benefit) expense			(1,899)	4,825
Income from continuing operations			$ 25,550	$ 30,132

(a) For the year ended December 31, 2021, Extended Warranty segment operating income includes gain on extinguishment of debt of $2.2 million, related to PPP loan forgiveness directly associated with the respective warranty businesses. Extended Warranty segment operating income before the gain of extinguishment of debt totaled $10.5 million for the year ended December 31, 2021, respectively. See Note 12, "Debt" for further discussion.

NOTE 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best evidenced by quoted bid or ask price, as appropriate, in an active market. Where bid or ask prices are not available, such as in an illiquid or inactive market, the closing price of the most recent transaction of that instrument subject to appropriate adjustments as required is used. Where quoted market prices are not available, the quoted prices of similar financial instruments or valuation models with observable market-based inputs are used to estimate the fair value. These valuation models may use multiple observable market inputs, including observable interest rates, foreign exchange rates, index levels, credit spreads, equity prices, counterparty credit quality, corresponding market volatility levels and option volatilities. Minimal management judgment is required for fair values calculated using quoted market prices or observable market inputs for models. Greater subjectivity is required when making valuation adjustments for financial instruments in inactive markets or when using models where observable parameters do not exist. Also, the calculation of estimated fair value is based on market conditions at a specific point in time and may not be reflective of future fair values. For the Company's financial instruments carried at cost or amortized cost, the book value is not adjusted to reflect increases or decreases in fair value due to market fluctuations, including those due to interest rate changes, as it is the Company's intention to hold them until there is a recovery of fair value, which may be to maturity.

The Company employs a fair value hierarchy to categorize the inputs it uses in valuation techniques to measure the fair value. The following fair value hierarchy is used in selecting inputs, with the highest priority given to Level 1:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs are not observable.

The Company classifies its investments in fixed maturities as available-for-sale and reports these investments at fair value. The Company's equity investments, limited liability investments, at fair value, real estate investments, subordinated debt, stock-based compensation liabilities, derivative contracts (interest rate swap and trust preferred debt repurchase options) and contingent consideration are measured and reported at fair value.

Fixed maturities - Fair values of fixed maturities for which no active market exists are derived from quoted market prices of similar instruments or other third-party evidence. All classes of the Company's fixed maturities, primarily consisting of investments in US. Treasury bills and government bonds; obligations of states, municipalities and political subdivisions; mortgage-backed securities; and corporate securities, are classified as Level 2. Level 2 is applied to valuations based upon quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are inactive; or valuations based on models where the significant inputs are observable or can be corroborated by observable market data.

The Company engages a third-party vendor who utilizes third-party pricing sources and primarily employs a market approach to determine the fair values of our fixed maturities. The market approach includes primarily obtaining prices from independent third-party pricing services as well as, to a lesser extent, quotes from broker-dealers. Our third-party vendor also monitors market indicators, as well as industry and economic events, to ensure pricing is appropriate. All classes of our fixed maturities are valued using this technique. The Company has obtained an understanding of our third-party vendor's valuation methodologies and inputs. Fair values obtained from our third-party vendor are not adjusted by the Company.

The following is a description of the significant inputs, by asset class, used by the third-party pricing services to determine the fair values of our fixed maturities included in Level 2:

- U.S. government, government agencies and authorities are generally priced using the market approach. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets and maturity.
- States, municipalities and political subdivisions are generally priced using the market approach. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets, new issuances and credit spreads.
- Mortgage-backed securities are generally priced using the market approach. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets, expected prepayments, expected credit default rates, delinquencies and issue specific information including, but not limited to, collateral type, seniority and vintage.
- Corporate securities are generally priced using the market approach using pricing vendors. Inputs generally consist of trades of identical or similar securities, quoted prices in inactive markets, issuer rating, benchmark yields, maturity and credit spreads.

Equity investments - Fair values of equity investments including warrants, reflect quoted market values based on latest bid prices, where active markets exist, or models based on significant market observable inputs, where no active markets exist.

Limited liability investments, at fair value - Limited liability investments, at fair value include the underlying investments of Net Lease and Argo Holdings. Prior to the second quarter of 2023,Net Lease owns owned investments in limited liability companies that hold held investment properties. Net Lease sold its final investment property during its first quarter of 2023, and as a result, the Net Lease's investment in its underlying investments is zero at December 31, 2023. Argo Holdings makes investments in limited liability companies and limited partnerships that hold investments in search funds and private operating companies.

- The fair value of Net Lease's investments in limited liability companies is was based upon the net asset values of the underlying investments in companies as a practical expedient to estimate fair value. The Company applies applied the net asset value practical expedient to Net Lease's limited liability investments on an investment-by-investment basis unless it is probable that the Company will would sell a portion of an investment at an amount different from the net asset value of the investment. Investments that are measured at fair value using the net asset value practical expedient are not required to be classified using the fair value hierarchy.
- The fair value of Argo Holdings' limited liability investments that hold investments in search funds is based on the initial investment in the search funds. The fair value of Argo Holdings' limited liability investments that hold investments in private operating companies is valued using a market approach including valuation multiples applied to corresponding performance metrics, such as earnings before interest, tax, depreciation and amortization; revenue; or net earnings. The selected valuation multiples were estimated using multiples provided by the investees and review of those multiples in light of investor updates, performance reports, financial statements and other relevant information. These investments are categorized in Level 3 of the fair value hierarchy.

Real estate investments - The fair value of real estate investments involves a combination of the market and income valuation techniques. Under this approach, a market-based capitalization rate is derived from comparable transactions, adjusted for any unique characteristics of each asset, and applied to the asset under consideration. The cap rates used during underwriting and subsequent valuation incorporate the consideration of risks of vacancy and collection loss, administrative costs of owning net leased assets and possible capital expenditures that could be determined a landlord expense. These investments are categorized in Level 3 of the fair value hierarchy.

Subordinated debt - The fair value of the subordinated debt is calculated using a model based on significant market observable inputs and inputs developed by a third-party. These inputs include credit spread assumptions developed by a third-party and market observable swap rates. The subordinated debt is categorized in Level 2 of the fair value hierarchy.

Stock-based compensation liabilities- Certain of the restricted stock awards granted by PWSC were classified as a liability prior to the sale of PWSC on July 29, 2022. Liability-classified awards are measured and reported at fair value and are included in accrued expenses and other liabilities in the consolidated balance sheets. The fair value of the liability-classified awards granted by PWSC were estimated using an internal valuation model without relevant observable market inputs. The significant inputs used in the model include a valuation multiple applied to trailing twelve month earnings before interest, tax, depreciation and amortization. Liability-classified PWSC restricted stock awards were categorized in Level 3 of the fair value hierarchy.

Derivative contract contract- interest rate swap - As described in Note 11, "Derivatives," the Company entered into an interest rate swap agreement effective April 1, 2021 to convert the variable interest rate on a portion of the 2020 KWH Loan to a fixed interest rate. The interest rate swap contract is measured and reported at fair value and is included in other receivables and accrued expenses and other liabilities in the consolidated balance sheets at December 31, 2022 and December 31, 2021, respectively. sheets. The fair value of the interest rate swap contract is estimated using inputs which the Company obtains from the counterparty and is determined using a discounted cash flow analysis on the expected cash flows of the derivative. The discounted cash flow valuation technique reflects the contractual term of the derivative contract, including the period to maturity, and uses observable market based inputs, including quoted mid-market prices or third-party consensus pricing, interest rate curves and implied volatilities. The interest rate swap contract is categorized in Level 2 of the fair value hierarchy.

Derivative contracts - trust preferred debt repurchase options - As described in Note 11, "Derivatives," the Company entered into three TruPs Options contracts during the third quarter of 2022. During the first quarter of 2023, the Company executed the TruPs Options contracts. The TruPs Options contracts are were measured and reported at fair value and are included in other assets in the consolidated balance sheet at December 31, 2022 2022. . The fair value of the TruPs Options contracts are was estimated using the binomial lattice model. Key inputs in the valuation include included credit spread assumptions, interest rate volatility, debt coupon interest rate and time to maturity. The TruPs Options contracts are categorized in Level 3 of the fair value hierarchy.

Contingent consideration - The consideration for the Company's acquisitions of Ravix and CSuite includes future payments to the former owners that are contingent upon the achievement of certain targets over future reporting periods. Liabilities for contingent consideration are measured and reported at fair value and are included in accrued expenses and other liabilities in the consolidated balance sheets. Contingent consideration liabilities are revalued each reporting period. Changes in the fair value of contingent consideration liabilities can result from changes to one or multiple inputs, including adjustments to the discount rates or changes in the assumed achievement or timing of any targets. Any changes in fair value are reported in the consolidated statements of operations as non-operating other (expense) expense revenue. . The contingent consideration liabilities are categorized in Level 3 of the fair value hierarchy.

- The fair value of Ravix's contingent consideration liability is estimated by applying the Monte Carlo simulation method to forecast achievement of gross profit which may result in up to $4.5 million in total payments to the former owners of Ravix through October 2024. Key inputs in the valuation include forecasted gross profit, gross profit volatility, discount rate and discount term.The estimated fair value of the Ravix contingent consideration liability at December 31, 2023 and December 31, 2022 was $3.1 million and $3.2 million, respectively.

- The fair value of CSuite's contingent consideration liability is estimated by applying the Monte Carlo simulation method to forecast achievement of gross revenue which may result in up to $3.6 million in total payments to the former owners of CSuite through November 2025. Key inputs in the valuation include forecasted gross revenue, gross revenue volatility, discount rate and discount term.The estimated fair value of the CSuite contingent consideration liability at December 31, 2023 and December 31, 2022 was zero.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The balances of the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as of December 31, 2022 2023 and December 31, 2021 2022 are as follows. Certain investments in limited liability companies that are measured at fair value using the net asset value practical expedient are not required to be classified using the fair value hierarchy, but are presented in the following tables to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets:

(in thousands)	December 31, 2022	December 31, 2023
	Fair Value Measurements at the End of the Reporting Period Using	Fair Value Measurements at the End of the Reporting Period Using

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value
Recurring fair value measurements										
Assets:										
Fixed maturities:										
U.S. government, government agencies and authorities	$ 15,080	$ —	$ 15,080	$ —	$ —	$ 12,997	$ —	$ 12,997	$ —	$ —
States, municipalities and political subdivisions	2,232	—	2,232	—	—	2,783	—	2,783	—	—
Mortgage-backed	8,412	—	8,412	—	—	9,253	—	9,253	—	—
Asset-backed	1,610	—	1,610	—	—	1,210	—	1,210	—	—
Corporate	10,257	—	10,257	—	—	10,230	—	10,230	—	—
Total fixed maturities	37,591	—	37,591	—	—	36,473	—	36,473	—	—
Equity investments:										
Common stock	153	153	—	—	—					
Total equity investments	153	153	—	—	—					
Equity investments						79	79	—	—	—
Limited liability investments, at fair value	17,059	—	—	3,196	13,863	3,496	—	—	3,496	—
Derivative contract - interest rate swap	326	—	326	—	—	49	—	49	—	—
Derivative contract - trust preferred debt repurchase options	19,034	—	—	19,034	—					
Total assets	$ 74,163	$ 153	$ 37,917	$ 22,230	$ 13,863	$ 40,018	$ —	$ 36,522	$ 3,496	$ —
Liabilities:										
Subordinated debt	$ 67,811	$ —	$ 67,811	$ —	$ —	$ 13,594	$ —	$ 13,594	$ —	$ —
Contingent consideration	3,218	—	—	3,218	—	3,105	—	—	3,105	—
Total liabilities	$ 71,029	$ —	$ 67,811	$ 3,218	$ —	$ 16,699	$ —	$ 13,594	$ 3,105	$ —

(in thousands)	December 31, 2021					December 31, 2022				
	Fair Value Measurements at the End of the Reporting Period Using					Fair Value Measurements at the End of the Reporting Period Using				
		Quoted Prices in Active	Significant				Quoted Prices in Active	Significant		

	Total	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value	Total	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value
Recurring fair value measurements										
Assets:										
Fixed maturities:										
U.S. government, government agencies and authorities	$ 16,223	$ —	$ 16,223	$ —	$ —	$ 15,080	$ —	$ 15,080	$ —	$ —
States, municipalities and political subdivisions	1,878	—	1,878	—	—	2,232	—	2,232	—	—
Mortgage-backed	7,629	—	7,629	—	—	8,412	—	8,412	—	—
Asset-backed	445	—	445	—	—	1,610	—	1,610	—	—
Corporate	9,491	—	9,491	—	—	10,257	—	10,257	—	—
Total fixed maturities	35,666	—	35,666	—	—	37,591	—	37,591	—	—
Equity investments:										
Common stock	171	171	—	—	—					
Warrants	8	—	8	—	—					
Total equity investments	179	171	8	—	—					
Equity investments						153	153	—	—	—
Limited liability investments, at fair value	18,826	—	—	4,022	14,804	17,059	—	—	3,196	13,863
Real estate investments	10,662	—	—	10,662	—					
Derivative contract - interest rate swap						326	—	326	—	—
Derivative contract - trust preferred debt repurchase options						19,034	—	—	19,034	—
Total assets	$ 65,333	$ 171	$ 35,674	$ 14,684	$ 14,804	$ 74,010	$ —	$ 37,917	$ 22,230	$ 13,863
Liabilities:										
Subordinated debt	$ 60,973	$ —	$ 60,973	$ —	$ —	$ 67,811	$ —	$ 67,811	$ —	$ —
Contingent consideration	2,458	—	—	2,458	—	3,218	—	—	3,218	—
Stock-based compensation liabilities	1,402	—	—	1,402	—					
Derivative contract - interest rate swap	14	—	14	—	—					
Total liabilities	$ 64,847	$ —	$ 60,987	$ 3,860	$ —	71,029	—	67,811	3,218	—

The following table provides a reconciliation of the fair value of recurring Level 3 fair value measurements for the years ended December 31, 2022 2023 and December 31, 2021 2022:

(in thousands)	Years ended December 31,	Years ended December 31,

	2022	2021	2023	2022
Assets:				
Limited liability investments, at fair value:				
Beginning balance	$ 4,022	$ 3,263	$ 3,196	$ 4,022
Contributions			47	—
Distributions received	(621)	(658)	(876)	(621)
Realized gains included in net income	607	631	481	607
Change in fair value of limited liability investments, at fair value included in net income	(812)	786	648	(812)
Ending balance	$ 3,196	$ 4,022	$ 3,496	$ 3,196
Unrealized (gains) losses on limited liability investments, at fair value held at end of period:				
Included in net income	$ (812)	$ 786		
Included in other comprehensive loss	$ —	$ —		
Real estate investments:				
Beginning balance	$ 10,662	$ 10,662		
Realized gains on sale of real estate investments included in net income	1,488	—		
Sale of real estate investments	(12,150)	—		
Ending balance	$ —	$ 10,662		
Unrealized gains recognized on real estate investments held at end of period:				
Unrealized gains (losses) on limited liability investments, at fair value held at end of period:				
Included in net income	$ —	$ —	$ 648	$ (812)
Included in other comprehensive loss	—	—	$ —	$ —
Derivative - trust preferred debt repurchase options:				
Beginning balance	$ —	$ —	$ 19,034	$ —
Purchase of options	2,304	—	—	2,304
Initial valuation of options included in net income	11,412	—	—	11,412
Exercise of options included in net (loss) income			(17,668)	—
Change in fair value of derivative assets included in net income	5,318	—	(1,366)	5,318
Ending balance	$ 19,034	$ —	$ —	$ 19,034
Unrealized gains recognized on derivative assets held at end of period:				
Included in net income	$ 16,730	$ —	$ —	$ 16,730
Included in other comprehensive loss	—	—	—	—
Ending balance - assets	$ 22,230	$ 14,684	$ 3,496	$ 22,230
Liabilities:				
Contingent consideration:				
Beginning balance	$ 2,458	$ —	$ 3,218	$ 2,458
Issuance of contingent consideration in connection with acquisition	—	2,195		
Settlements of contingent consideration liabilities	(750)	—	(375)	(750)
Change in fair value of contingent consideration included in net income	1,510	263	262	1,510
Ending balance	$ 3,218	$ 2,458	$ 3,105	$ 3,218
Unrealized gains recognized on contingent consideration liabilities held at end of period:				
Included in net income	$ 1,510	$ 263		
Included in other comprehensive loss	$ —	$ —		
Stock-based compensation liabilities:				
Beginning balance	$ 1,402	$ 443		
Issuance of stock-based compensation awards	—	—		
Change in fair value of stock-based compensation liabilities included in net income	2,780	959		
Stock-based compensation liabilities disposed of related to PWSC	(4,182)	—		
Ending balance	$ —	$ 1,402		
Unrealized gains recognized on stock-based compensation liabilities held at end of period:				
Unrealized losses recognized on contingent consideration liabilities held at end of period:				
Included in net income	$ 2,780	$ 959	$ 262	$ 1,510
Included in other comprehensive loss	$ —	$ —	$ —	$ —
Ending balance - liabilities	$ 3,218	$ 3,860	$ 3,105	$ 3,218

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for the Company's investments that are categorized as Level 86 3

KINGSWAY FINANCIAL SERVICES INC.

at December 31, 2023:

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Categories		Fair Value	Valuation Techniques	Unobservable Inputs	Input Value(s)
Limited liability investments, at fair value	$	3,496	Market approach	Valuation multiples	1.0x - 9.0x
Contingent consideration	$	3,105	Option-based income approach	Discount rate	8.25 %
				Risk-free rate	4.96 %
				Expected volatility	9.0 %

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for the Company's investments that are categorized as Level 3 at December 31, 2022:

Categories		Fair Value	Valuation Techniques	Unobservable Inputs	Input Value(s)
Limited liability investments, at fair value	$	3,196	Market approach	Valuation multiples	1.0x - 9.0x
Derivative - trust preferred debt repurchase options	$	19,034	Binomial lattice option approach	Credit spread	8.95 %
				Interest rate volatility	2.3 %
				Debt coupon interest rate	8.72%-8.87%
				Time to maturity (in years)	10.4 - 10.59
Contingent consideration	$	3,218	Option-based income approach	Discount rate	8.25 %
				Risk-free rate	4.44 %
				Expected volatility	13.0 %

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for the Company's investments that are categorized as Level

3 78 at December 31, 2021:

Categories		Fair Value	Valuation Techniques	Unobservable Inputs	Input Value(s)
Limited liability investments, at fair value	$	4,022	Market approach	Valuation multiples	1.0x - 8.0x
Real estate investments	$	10,662	Market and income approach	Cap rates	7.5 %
Contingent consideration	$	2,458	Option-based income approach	Discount rate	4.0 %
				Risk-free rate	0.49 %
				Expected volatility	15.0 %
Stock-based compensation liabilities	$	1,402	Market approach	Valuation multiple	6.0x

KINGSWAY FINANCIAL SERVICES INC.

Notes to Consolidated Financial Statements

Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient at December 31, 2022 2023:

Category		Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited liability investments, at fair value	$	13,863	n/a	n/a	n/a

Category	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period

Limited liability investments, at fair value	$	—	n/a	n/a	n/a

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient at December 31, 2021 2022:

Category	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited liability investments, at fair value	$ 14,804	n/a	n/a	n/a	$ 13,863	n/a	n/a	n/a

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are measured at fair value on a nonrecurring basis, including assets that are adjusted for observable price changes or written down to fair value as a result of an impairment. For the years ended December 31, 2022 2023 and December 31, 2021 2022, the Company did not record any recorded adjustments to increase the fair value of its certain investments in private companies for observable price changes. changes of $0.1 million and zero, respectively, which are included in net change in unrealized gain on private company investments in the consolidated statements of operations. The Company did not record any impairments related to investments in private companies for the years ended December 31, 2022 2023 and December 31, 2021 2022. To determine the fair value of investments in these private companies, the Company considered rounds of financing and third-party transactions, discounted cash flow analyses and market-based information, including comparable transactions, trading multiples and changes in market outlook, among other factors. The Company has classified the fair value measurements of these investments in private companies as Level 3 because they involve significant unobservable inputs.

As further discussed in Note 4, "Acquisitions," the Company acquired Ravix on October 1, 2021 and allocated the purchase price to the assets acquired and liabilities assumed. The fair values of intangible assets associated with the acquisition of Ravix were determined to be Level 3 under the fair value hierarchy.

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for these Level 3 measurements:

Categories	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value(s)
Customer relationships	$ 4,000	Multi-period excess earnings	Growth rate	3.0 %
			Attrition rate	15.0 %
			Discount rate	21.0 %
Trade name	$ 2,500	Relief from royalty	Royalty rate	3.0 %
			Discount rate	21.0 %

As further discussed in Note 4, "Acquisitions," the Company acquired CSuite on November 1, 2022 and provisionally allocated the purchase price to the assets acquired and liabilities assumed. The fair values of intangible assets associated with the acquisition of CSuite were determined to be Level 3 under the fair value hierarchy.

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for these Level 3 measurements:

Categories	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value(s)
Customer relationships	$ 2,500	Multi-period excess earnings	Growth rate	3.0 %
			Attrition rate	25.0 %
			Discount rate	16.5 %
Trade name	$ 1,500	Relief from royalty	Royalty rate	2.5 %
			Discount rate	15.5 %

As further discussed in Note 4, "Acquisitions," the Company acquired SNS on November 18, 2022 and provisionally allocated the purchase price to the assets acquired and liabilities assumed. The fair values of intangible assets associated with the acquisition of SNS were determined to be Level 3 under the fair value hierarchy.

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for these Level 3 measurements:

Categories	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value(s)

Customer relationships	$ 3,600	Multi-period excess earnings	Growth rate	3.0 %
			Attrition rate	10.0 %
			Discount rate	21.0 %
Trade name	$ 3,100	Relief from royalty	Royalty rate	3.0 %
			Discount rate	21.0 %

As further discussed in Note 4, "Acquisitions," the Company acquired SPI on September 7, 2023 and provisionally allocated the purchase price to the assets acquired and liabilities assumed. The fair values of intangible assets associated with the acquisition of SPI were determined to be Level 3 under the fair value hierarchy.

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for the Level 3 measurements:

Categories	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value(s)
Customer relationships	$ 1,000	Multi-period excess earnings	Growth rate	3.0%
			Attrition rate	5.0%
			Discount rate	21.5%
Developed technology	$ 600	Relief from royalty	Royalty rate	5.0%
			Discount rate	19.5%
Trade name	$ 120	Relief from royalty	Royalty rate	0.8%
			Discount rate	19.5%

As further discussed in Note 4, "Acquisitions," the Company acquired DDI on October 26, 2023 and provisionally allocated the purchase price to the assets acquired and liabilities assumed. The fair values of intangible assets associated with the acquisition of DDI were determined to be Level 3 under the fair value hierarchy.

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for the Level 3 measurements:

Categories	Fair Value	Valuation Techniques	Unobservable Inputs	Input Value(s)
Customer relationships	$ 6,500	Multi-period excess earnings	Growth rate	3.0 %
			Attrition rate	5.0 %
			Discount rate	27.0 %
Trade name	$ 260	Relief from royalty	Royalty rate	1.0 %
			Discount rate	25.0 %

NOTE 24 RELATED PARTIES

Related party transactions, including services provided to or received by the Company's subsidiaries, are measured in part by the amount of consideration paid or received as established and agreed by the parties. Except where disclosed elsewhere in these consolidated financial statements, the following is a summary of related party relationships and transactions.

(a) Argo Management Group, LLC

The Company acquired Argo Management in April 2016. Argo Management's primary business is to act as Managing Member of Argo Holdings. At December 31, 2022 2023 and December 31, 2021 2022, each of the Company, John T. Fitzgerald ("Fitzgerald"), the Company's Chief Executive Officer and President, and certain of Fitzgerald's immediate family members owns equity interests in Argo Holdings, all of which interests were acquired prior to the Company's acquisition of Argo Management. Subject to certain limitations, Argo Holdings' governing documents require all individuals and entities owning an equity interest in Argo Holdings to fund upon request his/her/its pro rata share of any funding requirements of Argo Holdings up to an aggregate maximum amount equal to his/her/its total capital commitment (each request for funds being referred to as a "Capital Call"). Argo Holdings made no Capital Calls during the years ended December 31, 2022 2023 and December 31, 2021 2022.

(b) VA Lafayette

On December 30 2021, the Company closed on an agreement to acquire 100% of the membership interests in VA Lafayette from a current holder of the Company's Preferred Shares (refer to Note 4, "Acquisitions", for further detail). The Company determined the acquisition was an arms-length transaction based upon the purchase price paid compared to the pricing of similar third-party transactions.

NOTE 25 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Legal proceedings:

In May 2016, Aegis Security Insurance Company ("Aegis") filed a complaint for breach of contract and declaratory relief against the Company in the Eastern District of Pennsylvania alleging, among other things, that the Company breached a contractual obligation to indemnify Aegis for certain customs bond losses incurred by Aegis under the indemnity and hold harmless agreements provided by the Company to Aegis for certain customs bonds reinsured by Lincoln General Insurance Company ("Lincoln General") during the period of time that Lincoln General was a subsidiary of the Company. Lincoln General was placed into liquidation in November 2015 and Aegis subsequently invoked its rights to indemnity under the indemnity and hold harmless agreements. Effective January 20, 2020, Aegis and the Company entered into a Settlement Agreement with respect to such litigation pursuant to which the Company agreed to pay Aegis a one-time settlement amount of $0.9 million, which the Company reported in its consolidated statement of operations during the first quarter of 2020, and to reimburse Aegis for 60% of future losses that Aegis may sustain in connection with such customs bonds, up to a maximum reimbursement amount of $4.8 million. During From 2020 through 2021, the Company made reimbursement payments to Aegis of $0.5 million $0.6 million in connection with the Settlement Agreement. During 2022 2023 and 2021 2022, the Company made reimbursement payments to Aegis of $0.4 million $0.5 million and $0.1 $0.4 million, respectively, in connection with the Settlement Agreement, which is included in general and administrative expenses in its consolidated statements of operations for the years ended December 31, 2022 2023 and December 31, 2021 2022, respectively. The remaining maximum reimbursement amount is $3.3 million as of December 31, 2023. The Company's potential exposure under these agreements was not reasonably determinable at December 31, 2022 2023, and no liability has been recorded in the in the consolidated financial statements at December 31, 2022 2023.

(b) Guarantees:

Mendota

As part of the October 18, 2018 transaction to sell Mendota, the Company will indemnify the buyer for any loss and loss adjustment expenses with respect to open claims in excess of Mendota's carried unpaid loss and loss adjustment expenses at June 30, 2018 related to the open claims. The maximum obligation to the Company with respect to the open claims is was $2.5 million. Per the purchase agreement, a security interest on the Company's equity interest in its consolidated subsidiary, Net Lease, as well as any distributions to the Company from Net Lease, was to be collateral for the Company's payment of obligations with respect to the open claims.
During the third quarter of 2021, the purchasers of Mendota and the Company agreed to release the Company's equity interest in Net Lease as collateral and allow Net Lease to make distributions to the Company. In exchange, the Company agreed to deposit $2.0 million into an escrow account and advance $0.5 million to the purchaser of Mendota to satisfy the Company's payment obligation with respect to the open claims.

During the third quarter of 2022, the buyer provided to the Company an analysis of the claims development that indicated that the Company's potential exposure with respect to the open claims was at the maximum obligation amount. Previous communications from the buyer noted no such development and the buyer was not obligated to provide development information to the Company until the first quarter of 2023. As a result of the newly provided information, the Company recorded a liability of $2.5 million during the third quarter of 2022, which is included in accrued expenses and other liabilities in the consolidated balance sheet at December 31, 2022 and loss on disposal of discontinued operations in the consolidated statement of operations for the year ended December 31, 2022. There were no payments made by the Company related to the open claims during the years ended December 31, 2022 and December 31, 2021. During the first quarter of 2023, the $2.0 million that had been previously deposited into an escrow account was released and remitted to the buyer to satisfy the Company's payment with respect to the open claims. The Company has no remaining exposure with respect to the open claims.

VA Lafayette

The LA Mortgage is nonrecourse indebtedness with respect to the assets of VA Lafayette, and the LA Mortgage is not, nor will it be, guaranteed by Kingsway or its affiliates unless VA Lafayette acts in bad-faith bad faith or commits intentional acts with respect to the LA Mortgage. The LA Mortgage is secured in part by a guaranty of recourse liabilities, whereby KAI, as guarantor, would become liable for the recourse liabilities if VA Lafayette, as borrower, violates certain terms of the loan agreement. Under the guarantee, the lender can recover losses from the guarantor for certain bad-faith bad faith or other intentional acts of the borrower, such as rents retained by the borrower in violation of the loan documents, fraud or intentional misrepresentation, changes to the lease without the lender's consent, willful misconduct, criminal acts and environmental losses sustained by lender. In addition, the guarantee provides that the LA Mortgage will be the full personal recourse obligation of the guarantor, for certain actions, such as prohibited transfers of the collateral or bankruptcy of the borrower.

(c) Collateral pledged and restricted cash:

Short-term investments with an estimated estimated fair value of $0.2 $0.2million at December 31, 2022 2023 and December 31, 2021 2022, were on deposit with state regulatory authorities.

The Company also has restricted cash of $13.1 $8.4 million and $17.3 13.1 million at December 31, 2022 2023 and December 31, 2021 2022, respectively. Included in restricted cash are:

- $7.6 7.7 million and $12.6 7.6 million at December 31, 2022 2023 and December 31, 2021 2022, respectively, held as deposits by IWS, Geminus, PWI, PWSC Ravix, CSuite and SPI (December 31, 2021 2023only), Ravix and CSuite; ;
- $0.2 million and$1.9 million at December 31, 2022 2023 and December 31, 2021 2022, on deposit with state regulatory authorities; and
- $3.5 0.5 million and $2.8million 3.5million at December 31, 2022 2023 and December 31, 2021 2022, respectively, pledged to third-parties as deposits or to collateralize liabilities. Collateral pledging transactions are conducted under terms that are common and customary to standard collateral pledging and are subject to the Company's standard risk management controls.

NOTE 26 SUBSEQUENT EVENTS

Exercise of TruPs Repurchase Options and Payment of Deferred Interest

In February 2023, the Company entered into amendments to the repurchase agreements described in Note 11, "Derivatives,", that would give the Company an additional discount on the total repurchase price if the Company effected a 100% repurchase on or before March 15, 2023. On March 2, 2023, the Company gave notice to the holders that it intends to exercise its options to repurchase 100% of the principal no later than March 15, 2023. The total amount to be paid will be $56.5 million, which includes a credit for the $2.3 million that the Company previously paid at the time of entering into the repurchase agreements. As a result, the Company will have repurchased $75.5 million of principal and $21.2 million of deferred interest (valued as of December 31, 2022). The Company intends to use currently available funds from working capital to fund the repurchases.

In order to execute the repurchase, the Company will have to pay an estimated $4.7 million of deferred interest to the remaining trust preferred debt instrument for which the Company did not have the right to repurchase. After the repurchase is completed, the Company will continue to have $15 million of principal outstanding related to remaining trust preferred debt instrument.

Notice of Redemption of Class A Preferred Stock

On March 1, 2023, the Company notified holders of its Preferred Shares of its intention to redeem all the outstanding Class A Preferred Stock on March 15, 2023 (the “Anticipated Redemption Date”). The Company anticipates redeeming all Class A Preferred Stock that remain outstanding on, and is not converted by, the Anticipated Redemption Date for the price of $25.00 per Preferred Share, plus accrued and unpaid dividends thereon, whether or not declared, up to and including the Anticipated Redemption Date.

In the event 100% of the Preferred Shares are redeemed by the Company on the Anticipated Redemption Date, the Company estimates that the aggregate amount required to redeem will be approximately $6.1 million, which would be paid using cash on hand. However, based on discussions with the holders of the Preferred Shares, the Company anticipates that 100% of the Preferred Shares would be converted and, in that case, there would be no cash outlay by the Company.

Second Amendment to 2020 KWH Loan

On February 28, 2023, KWH entered into a second amendment to the 2020 KWH Loan (the “KWH DDTL”) that provides for an additional delayed draw term loan in the principal amount of up to $10 million, with a maturity date of December 1, 2025. All or any portion of the KWH DDTL, subject to a $2 million minimum draw amount, may be requested at any time through February 27, 2024. The proceeds are evidenced by an intercompany loan and guarantee between KAI and KWH. The principal amount shall be repaid in quarterly installments in an amount equal to 3.75% of the original amount of the drawn DDTL. Proceeds from certain assets dispositions, as defined, may be required to be used to repay outstanding draws under the DDTL. The KWH DDTL also increases the senior cash flow leverage ratio maximum permissible for certain periods.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company’s management, with the participation of our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2022 December 31, 2023.

The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosures.
In designing and evaluating our disclosure controls and procedures, the Company’s management recognizes that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints that require the Company’s management to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of December 31, 2022December 31, 2023, the Company's disclosure controls and procedures are not effective as a result of one unremediated material weakness there were two control deficiencies in the Company's our internal control over financial reporting that was discovered during the course of the 2018 external audit of the accounts, relating to the accounting for and disclosure of certain complex and nonrecurring transactions as it specifically pertains to the adoption and application of ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). Not all which constituted material weaknesses, necessarily present and accordingly the same risks from period to period as a result of differing events Company’s disclosure controls and transactions which have occurred or may occur in current and future periods procedures were not effective.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's management evaluated the effectiveness of its internal control over financial reporting based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework)., or COSO. Based on that evaluation and the discovery of the errors described in the following paragraphs, the Company’s management has concluded that, as of December 31, 2022December 31, 2023, our internal controls over financial reporting are not effective because of the existence of one unremediated material weakness in internal control over financial reporting that was discovered during not effective based on the course of COSO framework. We describe the 2018 external audit of material weaknesses in the accounts, relating to the accounting for and disclosure of certain complex and nonrecurring transactions as it specifically pertains to the adoption and application of ASU 2014-09. following paragraphs.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness is defined as a deficiency or combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

With respect A. *Spreadsheet Calculation Error*. The Company did not correctly calculate the fair value of its subordinated debt as of December 31, 2023, due to a spreadsheet calculation error that resulted in an adjustment to the inadequate design accounting for and operation financial statements of internal disclosure of certain complex and nonrecurring transactions, the execution of the controls over the application of accounting literature approximately $1.2 million. The Company has a mitigating control in place, but this control did not operate effectively with respect during the fourth quarter timely as the fair value calculation was provided to the adoption and application of ASU 2014-09. This matter was discovered during the course Company’s auditors prior to this control activity taking place. The fair value of the 2018 external audit remaining tranche of subordinated debt was calculated, without error, as of March 31, 2023, June 30, 2023, and September 30, 2023. The spreadsheet calculation error as of December 31, 2023 has been corrected.
B. *Cash Flow Statement Classification Error*. The Company did not correctly present the amount related to the repurchase of the accounts deferred interest on its subordinated debt as a cash outflow from operating activities (the entire repurchase amount was presented as a cash outflow from financing activities). All other aspects of the repurchase (balance sheet, statement of operations, etc.) were correctly accounted for. This classification error resulted in a material adjustment to decrease cash flows used for financing activities and increase cash flows used for operating activities within the cashflow statement presentation of approximately $16.1 million. This classification error was reviewed with fixed in the Company's Audit Committee. Company’s December 31, 2023 statement of cash flows.

As a result of this these identified material weakness, weaknesses, the Company’s management directed a comprehensive review of its consolidated financial statements Company considered whether other calculations and conclusions with respect to assess the possibility of further material misstatements that may remain unidentified. As a result of such review, and notwithstanding presentation could be impacted. Notwithstanding the material weakness weaknesses described above, above, the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, believes that these were isolated incidents, have been corrected, and that the audited consolidated financial statements contained in this 20222023 Annual Report on Form 10-K fairly present, in all material respects, our financial condition, results of operations and cash flows for the fiscal years presented in conformity with U.S. GAAP.

Remediation Process of 2023 Material Weakness

We have corrected all errors discovered during our review process for fiscal 2023.

In addition, the Company has developed the following plan of remediation:

- A. *The Spreadsheet Calculation Error*. The Company will implement a policy whereby alterations to workpapers pertaining to material financial items require an additional layer of review to ensure such alterations were correctly calculated.
- B. *Cash Flow Statement Classification Error*. The Company failed to consult on the cash flow presentation aspect of the transaction. The Company will modify its existing policy that requires it to consult with third party experts on significant and/or unusual transactions to explicitly state that such consultations need to include all accounting aspects, including presentation and disclosure.

Remediation of 2018 Material Weakness

As previously reported in the Company's 2018 Annual Report on Form 10-K, the Company identified a material weakness in internal control over financial reporting relating to the accounting for and disclosure of certain complex and nonrecurring transactions as it specifically pertains to the adoption and application of ASU 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09").

In 2022, the Company directed its internal audit department to conduct a thorough review of the material revenue processes. The review is in its final stages, which has preliminarily was completed during 2023 and indicated no material issues. The Company expects has enhanced and revised the design of its internal control over financial reporting and the accounting for and disclosure of certain complex and nonrecurring transactions as it specifically pertains to use the final results adoption and application of this review in early 2023 ASU 2014-09, including engaging external accounting consultants or advisors, as necessary, to implement a remediation plan for this final material weakness. provide expert advice on the adoption and application of ASU 2014-09, and formalizing certain documentation processes related to the adoption and application of ASU 2014-09.

The actions As a result of these measures, the Company believes that the Company is taking are subject to ongoing senior management review as well as Audit Committee oversight. The Company is committed to maintaining a strong internal control environment and believes that these remediation efforts will represent significant improvements in its controls. 2018 material weakness described above has now been remediated.

Changes in Internal Control over Financial Reporting

On November 1, 2022 September 7, 2023, the Company acquired 100% of the outstanding equity interests of CSuite SPI and on November 18, 2022 October 26, 2023, the Company acquired substantially all 100% of the assets and assumed certain specified liabilities outstanding equity interests of SNS. DDI. Since the dates of these acquisitions, the Company has been analyzing and evaluating procedures and controls to determine their effectiveness and to make them consistent with our disclosure controls and procedures. As permitted by the SEC, CSuite SPI and SNS have DDI has been excluded from the scope of our quarterly discussion of material changes in internal control over financial reporting below.

There have been no changes in the Company's internal control over financial reporting during the period beginning October 1, 2022 October 1, 2023, and ending December 31, 2022 December 31, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except with respect to CSuite SPI and SNS. DDI.

Item 9B. Other Information

None During the three months ended December 31, 2023, none of the Company's officers or directors adopted, modified or terminated any "Rule 10b5-1 trading arrangements" or "non-Rule 10b5-1 trading arrangements," as each term is defined in Item 408(a) of Regulation S-K under the Exchange Act.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable

PART III.

Item 10. Directors, Executive Officers, and Corporate Governance

The information required by this Item is incorporated herein by reference to the Proxy Statement for our 2022 2023 Annual Meeting of Shareholders, which will be filed with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023.

We have adopted a Code of Business Conduct and Ethics that is applicable to all employees, including our chief executive officer, chief financial officer and other senior financial personnel, as well as our directors. A copy of the Code of Business Conduct and Ethics is posted in the "Corporate Governance" section of our website at www.kingsway-financial.com. Any future amendments to the Code of Business Conduct and Ethics and any grant of waiver from a provision of the code requiring disclosure under applicable SEC rules will be disclosed in the "Corporate Governance" section of our website.

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the Proxy Statement for our 2022 2023 Annual Meeting of Shareholders, which will be filed with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item is incorporated herein by reference to the Proxy Statement for our 2022 2023 Annual Meeting of Shareholders, which will be filed with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the Proxy Statement for our 2022 2023 Annual Meeting of Shareholders, which will be filed with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated herein by reference to the Proxy Statement for our 2022 2023 Annual Meeting of Shareholders, which will be filed with the SEC no later than 120 days after the end of our fiscal year ended December 31, 2022 December 31, 2023.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) Documents filed as part of this Report

(1) Financial Statements. We have filed the following documents, which are included in Part II, Item 8 of this 2022 2023 Annual Report on Form 10-K.

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of of Comprehensive Loss (Loss) Income

Consolidated Statements of Shareholders' Equity

Consolidated Statements of Cash Flow

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules. The following financial statement schedules are filed as a part hereof along with the related reports of the Independent Registered Public Accounting Firm included in Part II, Item 8. Schedules not listed here have been omitted because they are not applicable or the required information is included in the Consolidated Financial Statements.

Schedule I Condensed Financial Information of the Registrant (Parent Company)

(3) Exhibits. The exhibits listed in the accompanying "Index to Exhibits" that follow the signature pages of this report are filed or incorporated by reference as part of this Form 10-K.

(b) Exhibits. Included in Item 15(a)(3) above

(c) Financial Statement Schedules. Included in Item 15(a)(2) above

KINGSWAY FINANCIAL SERVICES INC.

SCHEDULE I. Condensed Financial Information of the Registrant (Parent Company)

Parent Company Balance Sheets

(in thousands)	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
Assets				
Investments in subsidiaries	$ 23,545	$ 1,944	$ 20,325	$ 23,545
Cash and cash equivalents	32	56	2,058	32
Other assets	1,313	447	5,339	1,313
Total Assets	$ 24,890	$ 2,447	$ 27,722	$ 24,890
Liabilities and Shareholders' Equity				
Liabilities:				
Accrued expenses and other liabilities	$ 3,206	$ 1,674	$ 13	$ 3,206
Total Liabilities	3,206	1,674	13	3,206
Redeemable Class A preferred stock	6,013	6,497	—	6,013
Shareholders' Equity:				
Common stock	—	—	—	—
Additional paid-in capital	359,985	359,138	379,813	359,985
Treasury stock, at cost	(492)	(492)	(3,696)	(492)
Accumulated deficit	(370,427)	(395,149)	(346,868)	(370,427)
Accumulated other comprehensive income	26,605	30,779		
Accumulated other comprehensive (loss) income			(1,540)	26,605
Shareholders' equity attributable to common shareholders	15,671	(5,724)	27,709	15,671
Total Liabilities, Class A preferred stock and Shareholders' Equity	$ 24,890	$ 2,447	$ 27,722	$ 24,890

See accompanying report of independent registered accounting firm.

KINGSWAY FINANCIAL SERVICES INC.

SCHEDULE I. Condensed Financial Information of the Registrant (Parent Company)

Parent Company Statements of Operations

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Other revenue (expenses), net:				
Other expenses, net:				
General and administrative expenses	$ (2,081)	$ (3,287)	$ (1,990)	$ (2,081)
Non-operating other expense	(8)	(2)	(3)	(8)
Total other expenses, net	(2,089)	(3,289)	(1,993)	(2,089)

Loss from continuing operations before income tax benefit and equity in income of subsidiaries	(2,089)	(3,289)	(1,993)	(2,089)
Income tax benefit	(314)	(340)	(1,331)	(314)
Equity in income of subsidiaries	16,840	4,809	24,674	16,840
Net income	$ 15,065	$ 1,860	$ 24,012	$ 15,065

See accompanying report of independent registered accounting firm.

KINGSWAY FINANCIAL SERVICES INC.

SCHEDULE I. Condensed Financial Information of the Registrant (Parent Company)

Parent Company Statements of Comprehensive Loss (Loss) Income

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Net income	$ 15,065	$ 1,860	$ 24,012	$ 15,065
Other comprehensive loss, net of taxes(1):				
Unrealized losses on available-for-sale investments:				
Unrealized losses arising during the period	—	—	—	—
Reclassification adjustment for amounts included in net loss	—	—		
Reclassification adjustment for amounts included in net income			—	—
Other comprehensive loss - parent only	—	—	—	—
Equity in other comprehensive loss of subsidiaries	(4,238)	(7,295)	(28,115)	(4,238)
Other comprehensive loss	(4,238)	(7,295)	(28,115)	(4,238)
Comprehensive income (loss)	$ 10,827	$ (5,435)		
Comprehensive (loss) income			$ (4,103)	$ 10,827

(1) Net of income tax (benefit) expense (benefit) of $0 and $0 in 2022 2023 and 2021 2022, respectively

See accompanying report of independent registered accounting firm.

KINGSWAY FINANCIAL SERVICES INC.

SCHEDULE I. Condensed Financial Information of the Registrant (Parent Company)

Parent Company Statements of Cash Flows

(in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Cash provided by (used in):				
Operating activities:				
Net income	$ 15,065	$ 1,860	$ 24,012	$ 15,065
Adjustments to reconcile net income to net cash used in operating activities:				
Equity in net income of subsidiaries	(16,840)	(4,809)	(24,674)	(16,840)
Stock-based compensation expense, net of forfeitures	589	1,620	509	589
Other, net	667	(551)		
Change in other assets			(4,026)	(866)
Change in accrued expenses and other liabilities			(3,193)	1,533

Net cash used in operating activities	(519)	(1,880)	(7,372)	(519)
Investing activities:				
Net cash from investing activities	—	—	—	—
Financing activities:				
Proceeds from exercise of warrants	545	1,750	16,658	545
Cash paid for repurchase of warrants			(4,031)	—
Cash paid for repurchase of common stock			(3,204)	—
Capital contribution to subsidiary	(50)	—	(25)	(50)
Net cash provided by financing activities	495	1,750	9,398	495
Net decrease in cash and cash equivalents	(24)	(130)		
Net increase (decrease) in cash and cash equivalents			2,026	(24)
Cash and cash equivalents at beginning of period	56	186	32	56
Cash and cash equivalents at end of period	$ 32	$ 56	$ 2,058	$ 32

See accompanying report of independent registered accounting firm.

KINGSWAY FINANCIAL SERVICES INC.

Item 16. Form 10-K Summary

None.

EXHIBIT INDEX

Exhibit	Description
2.1	Stock Purchase Agreement By and Among Premier Holdings, LLC, Advantage Auto MGA, LLC, Mendota Insurance Company, Kingsway America Inc. and Kingsway Financial Services Inc., Dated as of July 16, 2018 (included as Exhibit 2.1 to the Form 8-K, filed July 20, 2018, and incorporated herein by reference).
2.2	Stock Purchase Agreement, dated as of October 12, 2020, by and among Kingsway Warranty Holdings LLC,Kingsway America Inc., PWI Holdings, Inc., and ADESA Dealer Services, LLC (included as Exhibit 2.1 to Form 8-K, filed October 13, 2020, and incorporated herein by reference).
2.3	Stock Purchase Agreement, dated July 29, 2022, by and among Professional Warranty Service Corporation, a Virginia corporation (the “Company”) Tyler Gordy, an individual (“Gordy”); Professional Warranty Services LLC, a Delaware limited liability company (“Parent” and together with Gordy, each a “Seller” and collectively “Sellers”); and PCF Insurance Services of the West, LLC, a Delaware limited liability company (“Buyer”) (included as Exhibit 2.1 to the Form 10-Q, filed August 4, 2022, and incorporated herein by reference).
3.1	Certificate of Incorporation of Kingsway Financial Services Inc. (included as Exhibit 3.1 to the Form 8-K, filed December 31, 2018, and incorporated herein by reference).
3.2	By-laws of Kingsway Financial Services Inc. (included as Exhibit 3.2 to the Form 8-K, filed December 31, 2018, and incorporated herein by reference).
4.1	Indenture dated December 4, 2002 between Kingsway America Inc. and State Street Bank and Trust Company of Connecticut, National Association (included as Exhibit 4.3 to the Form 10-K, filed March 30, 2012, and incorporated herein by reference).
4.2	Indenture dated May 15, 2003 between Kingsway America Inc. and U.S. Bank National Association (included as Exhibit 4.4 to the Form 10-K, filed March 30, 2012, and incorporated herein by reference).
4.3	Indenture dated October 29, 2003 between Kingsway America Inc. and U.S. Bank National Association (included as Exhibit 4.5 to the Form 10-K, filed March 30, 2012, and incorporated herein by reference).
4.4	Indenture dated May 22, 2003 between Kingsway America Inc., Kingsway Financial Services Inc., and Wilmington Trust Company (included as Exhibit 4.6 to the Form 10-K, filed March 30, 2012, and incorporated herein by reference).
4.5	Junior Subordinated Indenture dated September 30, 2003 between Kingsway America Inc. and J.P Morgan Chase Bank (included as Exhibit 4.7 to the Form 10-K, filed March 30, 2012, and incorporated herein by reference).

4.6 Indenture dated December 16, 2003 between Kingsway America Inc., Kingsway Financial Services Inc., and Wilmington Trust Company (included as Exhibit 4.8 to the Form 10-K, filed March 30, 2012, and incorporated herein by reference).

4.7 Amended and Restated Common Stock Series B Warrant Agreement, dated July 8, 2014 (included as Exhibit 4.1 to the Form 8-K, filed July 10, 2014, and incorporated herein by reference).

4.8 4.2 Form of Stock Certificate (included as Exhibit 4.1 to the Form 8-K, filed December 31, 2018, and incorporated herein by reference).

4.9 Second Amended and Restated Kingsway Financial Services Inc. Common Stock Series B Warrant Agreement (included as Exhibit 4.7 to the Form 10-Q, filed August 5, 2021, and incorporated herein by reference).

10.1 Kingsway Financial Services Inc. 2013 Equity Incentive Plan (included as Schedule B to the Definitive Proxy Statement on Schedule 14A filed with the SEC on April 11, 2013, and incorporated herein by reference). *

10.2 Form of Subscription Agreement (included as Exhibit 10.1 to the Form 8-K, filed December 27, 2013, and incorporated herein by reference).

10.3 Registration Rights Agreement, dated February 3, 2014, by and among the Company and the other parties signatory thereto (included as Exhibit 10.2 to the Form 8-K, filed February 4, 2014, and incorporated herein by reference).

10.4 Kingsway America Inc. Employee Share Purchase Plan (included as Schedule B to the Definitive Proxy Statement on Schedule 14A filed with the SEC on April 30, 2014 and incorporated herein by reference). *

10.5 Registration Rights Agreement, dated as of November 16, 2016 by and among the Company, GrizzlyRock Institutional Value Partners, LP and W.H.I. Growth Fund Q.P., L.P. (included as Exhibit 10.4 to Form 8-K, filed November 16, 2016, and incorporated herein by reference).

10.6 Registration Rights Agreement, dated as of November 16, 2016 by and between the Company and Yorkmont Capital Partners, LP. (included as Exhibit 10.5 to Form 8-K, filed November 16, 2016, and incorporated herein by reference).

10.7 Right of First Offer Agreement, dated as of November 16, 2016 by and between the Company and GrizzlyRock Institutional Value Partners, LP. (included as Exhibit 10.6 to Form 8-K, filed November 16, 2016, and incorporated herein by reference).

10.8 Right of First Offer Agreement, dated as of November 16, 2016 by and between the Company and W.H.I. Growth Fund Q.P., L.P. (included as Exhibit 10.7 to Form 8-K, filed November 16, 2016, and incorporated herein by reference).

10.9 Amendment No. 1 to the Kingsway Financial Services Inc. 2013 Equity Incentive Plan (included as Exhibit 10.1 to Form 10-Q, filed August 8, 2018, and incorporated herein by reference).

10.10 10.8 Offer Letter, dated September 5, 2018, between the Company and John T. Fitzgerald (included as Exhibit 10.2 to Form 8-K, filed September 10, 2018, and incorporated herein by reference).

10.11 10.9 Severance Agreement, dated September 5, 2018, between the Company and John T. Fitzgerald (included as Exhibit 10.3 to Form 8-K, filed September 10, 2018, and incorporated herein by reference).

10.12 10.10 Restricted Stock Agreement, dated September 5, 2018, between the Company and John T. Fitzgerald (included as Exhibit 10.4 to Form 8-K, filed September 10, 2018, and incorporated herein by reference).

10.13 10.11 Form of Indemnification Agreement for Directors and Officers (included as Exhibit 10.5 to Form 8-K, filed September 10, 2018, and incorporated herein by reference).

10.14 10.12 Employment Offer Letter, dated as of October 23, 2019, by and between Kent A. Hansen and Kingsway America Inc.(included as Exhibit 10.2 to Form 8-K, filed February 28, 2020, and incorporated herein by reference).

10.15 10.13 Kingsway Financial Services Inc. 2020 Equity Incentive Plan (included as Schedule A to the Definitive Proxy Statement on Schedule 14A filed with the SEC on August 20, 2020, and incorporated herein by reference). *

10.16 10.14	Loan and Security Agreement, dated as of December 1, 2020, among Kingsway Warranty Holdings LLC, Trinity Warranty Solutions LLC, Geminus Holding Company, Inc., IWS Acquisition Corporation and PWI Holdings, Inc., as Borrowers, the other Loan Parties party thereto, and CIBC Bank USA, as Lender and as Issuing Lender (included as Exhibit 10.1 to Form 8-K, filed December 2, 2020, and incorporated herein by reference).
10.17 10.15	Letter Agreement, effective as of December 31, 2020, by and among Kingsway Warranty Holdings LLC, Trinity Warranty Solutions LLC, Geminus Holding Company, Inc., IWS Acquisition Corporation, and PWI Holdings, Inc., as Borrowers, the other Loan Parties party thereto, and CIBC Bank USA, as Lender. (included as Exhibit 10.1 for Form 8-K, filed December 2, 2020, and incorporated herein by reference).
10.18 10.16	Form of Restricted Stock Agreement. * (included as Exhibit 10.29 to Form 10-K, filed March 03, 2021, and incorporated herein by reference).
10.19	Employment Separation Agreement and Release, by and between Kingsway America, Inc. and Paul R. Hogan, dated as of March 31, 2021 (included as Exhibit 10.1 to Form 8-K, filed April 2, 2021, and incorporated herein by reference).
10.20 10.17	Stock Purchase Agreement by and among, Ravix Acquisition, LLC, The Shareholders of Ravix Financial, Inc., Ravix Financial, Inc., Kingsway America, Inc. (solely with respect to Section 9.21), and Dan Saccani, as the Seller Representative, dated October 1, 2021 (included as Exhibit 10.1 to Form 8-K, filed October 4, 2021, and incorporated herein by reference).
10.21 10.18	Membership Interest Purchase Agreement by and among CSuite Acquisition, LLC, Arthur J. Cohen and Beth Garden, as Trustees of the Cohen Garden Trust dated July 13, 2015, Realized Potential, LLC, and Arthur J. Cohen, as the Sellers' Representative, dated November 1, 2022 (included as Exhibit 10.1 to the Form 8-K, filed November 2, 2022, and incorporated herein by reference).
10.22 10.19	Asset purchase agreement by and among Pegasus acquirer LLC, as buyer, Secure Nursing Service, Inc., as seller and Rafael Gofman, Ella Gofman And Zhanna Weiss, as the shareholders (included as Exhibit 10.1 to the Form 8-K, filed November 21, 2022, and incorporated herein by reference).
10.23 10.20	Purchase and Sale Agreement dated December 22, 2022, by and between TRT Leaseco, LLC, as Seller, and BNSF Dayton LLC, as Purchaser (included as Exhibit 10.1 to the Form 8-K, filed December 23, 2022, and incorporated herein by reference).
10.24 10.21	Second Amendment to Loan and Security Agreement, dated as of February 28, 2023, among Kingsway Warranty Holdings LLC, Trinity Warranty Solutions LLC, Geminus Holding Company, Inc., IWS Acquisition Corporation and PWI Holdings, Inc., as Borrowers, the other Loan Parties party thereto, and CIBC Bank USA, as Lender and as Issuing Lender. (included as Exhibit 10.24 to form 10-K, Filed March 8, 2023, and incorporated herein by reference.
10.22	Membership Interest Purchase Agreement by and among National Institute of Clinical Research, as Seller, Dr Sali Asward, as the Shareholder, and Kingsway Search Xcelerator, Inc., as the Buyer, date October 19, 2023 (included as Exhibit 10.1 to the Form 8-K, filed October 23, 2023, and incorporated herein by reference).
10.23	Stock Purchase Agreement by and among Thomas J. Corney and TC Family 2023 LLC, as Sellers, and DDI Acquisition LLC, as Buyer, dated October 26, 2023 (included as Exhibit 10.1 to the Form 8-K, filed October 30, 2023, and incorporated herein by reference).
14	Kingsway Financial Services Inc. Code of Business Conduct & Ethics Inc. Code of Business Conduct & Ethics (included as Exhibit 14 to form 10-K, Filed March 16, 2018, and incorporated herein by reference.

21	Subsidiaries of Kingsway Financial Services Inc.
23	Consent of Plante & Moran, PLLC
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97.1	Incentive Compensation Clawback Policy
101.INS	Inline XBRL Instance Document

101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (embedded within the Inline XBRL Document and include in Exhibit 101)

* Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

			KINGSWAY FINANCIAL SERVICES INC.
Date:	March 8, 2023 5, 2024	By:	*/s/ John T. Fitzgerald*
		Name:	John T. Fitzgerald
		Title:	Chief Executive Officer, President and Director
			(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ John T. Fitzgerald John T. Fitzgerald	Chief Executive Officer, President and Director	March 8, 2023 5, 2024
/s/ Kent A. Hansen Kent A. Hansen	Chief Financial Officer and Executive Vice President (principal financial officer and principal accounting officer)	March 8, 2023 5, 2024
/s/ Terence Kavanagh Terence Kavanagh	Chairman of the Board and Director	March 8, 2023 5, 2024
/s/ Charles Frischer Charles Frischer	Director	March 8, 2023 5, 2024
/s/ Gregory Hannon Gregory Hannon	Director	March 8, 2023 5, 2024
/s/ Doug Levine Doug Levine	Director	March 8, 2023 5, 2024

/s/ Corissa Porcelli

Corissa Porcelli	Director	March 8, 20235, 2024

/s/ Joseph Stilwell

Joseph Stilwell	Director	March 8, 20235, 2024

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Exhibit 10.24

SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT

This Second Amendment to Loan and Security Agreement (this "Second Amendment") is made and entered into as of February 28, 2023, by and among CIBC Bank USA, with an office located at 120 South LaSalle Street, Chicago, Illinois 60603 ("Lender"), Kingsway Warranty Holdings LLC, a Delaware limited liability company ("KWH"), Trinity Warranty Solutions LLC, a Delaware limited liability company ("Trinity"), Geminus Holding Company, Inc., a Delaware corporation ("Geminus"), IWS Acquisition Corporation, a Florida corporation ("IWS"), and PWI Holdings, Inc., a Pennsylvania corporation ("PWI Holdings") (KWH, Trinity, Geminus, IWS and PWI Holdings are collectively referred to herein as "Borrowers" and individually as a "Borrower"), and the other Loan Parties party hereto.

W I T N E S S E T H:

Whereas, prior hereto, Lender provided certain loans, extensions of credit and other financial accommodations to Borrowers pursuant to (a) that certain Loan and Security Agreement dated as of December 1, 2020, as amended by that certain First Amendment to Loan and Security Agreement dated as of June 10, 2022, each by and among Borrowers, the other Loan Parties party thereto and Lender (collectively, the "Loan Agreement"), and (b) the other documents, agreements and instruments referenced in the Loan Agreement or executed and delivered pursuant thereto;

Whereas**,** Borrowers desire Lender to, among other things, (a) provide a new Delayed Draw Term Loan (as hereinafter defined) in the principal amount of Ten Million and no/100 Dollars ($10,000,000.00), and (b) modify the Senior Cash Flow Leverage Ratio covenant (collectively, the "Additional Financial Accommodations"); and

Whereas, Lender is willing to provide the Additional Financial Accommodations, but solely on the terms and subject to the provisions set forth in this Second Amendment and the other agreements, documents and instruments referenced herein or executed and delivered pursuant hereto.

Now, Therefore, in consideration of the foregoing, the mutual promises and understandings of the parties hereto set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Lender and Borrowers hereby agree as set forth in this Second Amendment.

1. **Definitions:**

1.1 **Use of Defined Terms**. Except as expressly set forth in this Second Amendment, all terms which have an initial capital letter where not required by the rules of grammar are defined in the Loan Agreement, as amended hereby. Unless otherwise indicated, any references to a Section is a reference to a Section of the Loan Agreement, as amended.

1.2 **Amended Definitions**. Effective as of the Second Amendment Effective Date, Section 1.1 of the Loan Agreement is hereby amended by substituting the definitions set forth below for the corresponding definitions set forth in the Loan Agreement:

Excess Cash Flow means, for any period, the remainder of (a) Consolidated Adjusted Modified Cash EBITDA for such period, minus (b) the sum, without duplication, of (i) scheduled repayments of principal of the Term Loan and Delayed Draw Term Loan made during such period, plus (ii) voluntary prepayments of the Term Loan and Delayed Draw Term Loan pursuant to Section 5.2.1 during such period, plus (iii) cash payments made in such period with respect to Capital Expenditures, plus (iv) all federal, state, provincial, territorial, local and foreign income taxes and Permitted Tax Distributions paid or payable in cash by the Borrowers during such period, plus (v) cash Interest Expense of the Borrowers during such period, plus (vi) quarterly distributions to KAI in 2021 to the extent permitted by Section 11.4.

Fixed Charge Coverage Ratio means, for any Computation Period with respect to Borrowers and their Subsidiaries, the ratio of (a) the total for such period of Consolidated Adjusted Modified Cash EBITDA minus the sum of (i) federal, state, provincial, territorial, local and foreign income taxes paid in cash by the Loan Parties, (ii) all unfinanced Capital Expenditures and (iii) all dividends, distributions and other redemption or other payments made to any owner of Borrowers' Capital Securities, to (b) the sum for such period of (i) cash Interest Expense plus (ii) required payments of principal of Funded Debt (including the Term Loan and the Delayed Draw Term Loan but excluding the Revolving Loans).

Loan or Loans means, as the context may require, Revolving Loans, the Term Loan, and/or the Delayed Draw Term Loan.

1.3. **New Definitions**. Effective as of the Second Amendment Effective Date, the following new definitions are hereby added to Section 1.1 of the Loan Agreement in the appropriate alphabetical order, respectively:

Delayed Draw Term Loan shall mean, individually and collectively, the loans provided by Lender from time to time to Borrowers pursuant to Section 2.1.2(b).

Delayed Draw Term Loan Advance shall have the meaning specified in Section 2.1.2(b).

Delayed Draw Term Loan Advance Payment means, with respect to each Delayed Draw Term Loan Advance, an amount equal to the product of three and three-quarters of one percent (3.75%) and the original amount of such Delayed Draw Term Loan Advance.

Delayed Draw Term Loan Commitment means Ten Million and no/100 Dollars ($10,000,000.00).

Delayed Draw Term Loan Maturity Date means the earlier of (a) December 1, 2025,or (b) the Termination Date.

KAI Intercompany Loans means one or more intercompany loans made by Borrowers to KAI that are (a) funded solely from the proceeds of a Delayed Draw Term Loan Advance within 3 days of the funding of such Delayed Draw Term Loan Advance, (b) evidenced by one or more notes, each duly endorsed to Lender, such notes and endorsement to be in form and substance satisfactory to Lender.

Second Amendment Effective Date means February 28, 2023.

2. **Amendments to Loan Agreement**.Effective as of the Second Amendment Effective Date, the Loan Agreement is hereby amended as follows:

2.1. **Term Loan and Delayed Draw Term Loan Commitments**. Section 2.1.2 of the Loan Agreement is hereby amended by deleting Section 2.1.2 in its entirety and substituting therefor the following:

"2.1.2 Term Loan and Delayed Draw Term Loan Commitments.

(a) Term Loan. As of the Closing Date, Lender made a loan to Borrowers in the principal amount of the Term Loan Commitment ("Term Loan"). The Commitment of Lender to make the Term Loan expired concurrently with the making of the Term Loan on the Closing Date.

(b) Delayed Draw Term Loan. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties of Borrowers set forth herein and in the other Loan Documents, Lender agrees to make one or more term loan advances (each such advance is a "Delayed Draw Term Loan Advance") from time to time as Borrowers may request from the Second Amendment Effective Date through February 28, 2024, provided, however, that (a) the aggregate principal amount of all Delayed Draw Term Loan Advances funded by Lender shall not exceed the Delayed Draw Term Loan Commitment, (b) the minimum amount of each Delayed Draw Term Loan Advance shall be $2,000,000.00, (c) no more than a total of five (5) Delayed Draw Term Loan Advances shall be permitted hereunder, and (d) contemporaneously with each request, Borrowers shall submit a compliance certificate in form and substance acceptable to Lender, in accordance with the form set forth in Section 10.1.3 evidencing pro forma compliance as of the last day of the most recently ended Fiscal Quarter after giving effect to the Delayed Draw Term Loan Advance on a pro forma basis. Borrowers acknowledge and agree that the Delayed Draw Term Loan Commitment shall immediately and permanently be reduced by the amount of each Delayed Draw Term Loan Advance on a dollar for dollar basis. No principal amount of any Delayed Draw Term Loan Advance may be reborrowed. The proceeds of the Delayed Draw Term Loan shall be used solely to fund a KAI Intercompany Loan, unless otherwise approved in writing by Lender."

2.2. **Borrowing Procedures**. Section 2.2.2 of the Loan Agreement is hereby amended by deleting the first sentence of Section 2.2.2 in its entirety and substituting therefor the following:

"Each Revolving Loan shall be, and the Term Loan and Delayed Draw Term Loan may be divided into tranches which are, either a Base Rate Loan or a SOFR Loan (each a "type" of Loan), as Borrowers shall specify in the related notice of borrowing or conversion pursuant to Section 2.2.2 or 2.2.3."

2.3. **Notes**. Section 2.4 of the Loan Agreement is hereby amended by deleting Section 2.4 in its entirety and substituting therefor the following:

"2.4 Notes. At Lender's request, the Loans shall be evidenced by Notes, with appropriate insertions, payable to the order of Lender in (i) a face principal amount equal to the Revolving Commitment, (ii) a face principal amount equal to the Term Loan Commitment, and (iii) a face principal amount equal to the Delayed Draw Term Loan Commitment, as applicable."

2.4. **Delayed Draw Term Loan Fees**. Section 4 of the Loan Agreement is hereby amended by adding new subsections 4.4 and 4.5 immediately following the existing subsection 4.3 as follows:

"4.4 Delayed Draw Term Loan Commitment Fee. On or prior to the Second Amendment Effective Date, Borrowers shall pay to Lender a fully-earned, non-refundable Delayed Draw Term Loan Commitment fee in the amount of Twenty-Five Thousand and no/100 Dollars ($25,000.00).

4.5 Delayed Draw Term Loan Draw Fees. Simultaneous to Lender making each Delayed Draw Term Loan Advance pursuant to Section 2.1.2(b) of this Agreement, Borrowers shall pay to Lender a fully-earned, non-refundable draw fee in an amount equal to the product of seventy-five basis points (75 bps) and the amount of such Delayed Draw Term Advance."

2.5. **Payment Provisions**. Sections 5.2, 5.3 and 5.4 of the Loan Agreement are hereby amended by deleting Sections 5.2, 5.3 and 5.4 in their entirety and substituting therefor the following:

"5.2 Prepayments.

5.2.1 Voluntary Prepayments. Borrowers may from time to time prepay the Loans in whole or in part; provided that Borrowers shall give Lender notice thereof not later than 11:00 A.M., Chicago time, on the day of such prepayment (which shall be a Business Day), specifying the Loans to be prepaid and the date and amount of prepayment.

5.2.2 Mandatory Prepayments.

(a) Borrowers shall make prepayments of the Term Loan until the Term Loan is paid in full, and then prepayments of the Delayed Draw Term Loan until the Delayed Draw Term Loan is paid in full upon the occurrence of any of the following (each a "Mandatory Prepayment Event") at the following times and in the following amounts (such applicable amounts being referred to as "Designated Proceeds"):

(i) Concurrently with the receipt by any Loan Party of any Net Cash Proceeds from any Asset Disposition, in an amount equal to 100% of such Net Cash Proceeds.

(ii) Concurrently with the receipt by any Loan Party of any Net Cash Proceeds from any issuance of Capital Securities of any Loan Party (excluding (x) any issuance of Capital Securities pursuant to any employee or director option program, benefit plan or compensation program and (y) any issuance by a Subsidiary to any Borrower or another Subsidiary), in an amount equal to 100% of such Net Cash Proceeds.

(iii) Concurrently with the receipt by any Loan Party of any Net Cash Proceeds from any issuance of any Debt of any Loan Party (excluding Debt permitted by clauses (a) through (h)of Section 11.1), in an amount equal to 100% of such Net Cash Proceeds.

(iv) Within 120 days after the end of each Fiscal Year (commencing with Fiscal Year 2021), in an amount equal to the ECF Percentage of Excess Cash Flow for such Fiscal Year.

(v) Concurrently with the receipt by any Loan Party of any Net Cash Proceeds of any Extraordinary Receipts, 100% of such Net Cash Proceeds.

(vi) Within two business days after receipt of KWH of any Net Cash Proceeds from any Cure Amount, an amount equal to 100% of such Net Cash Proceeds.

(b) If on any day the Revolving Outstandings exceeds the Revolving Commitment, Borrowers shall immediately prepay Revolving Loans and/or Cash Collateralize the outstanding Letters of Credit, or do a combination of the foregoing, in an amount sufficient to eliminate such excess.

5.3 Manner of Prepayments. Each voluntary partial prepayment shall be in a principal amount of $500,000 or a higher integral multiple of $50,000. All prepayments of the Term Loan and the Delayed Draw Term Loan shall be applied in the inverse order of maturity to the remaining installments thereof. Except as otherwise provided by this Agreement, all principal payments in respect of the Loans shall be applied first, to repay outstanding Base Rate Loans and then to repay outstanding SOFR Loans in direct order of Interest Period maturities.

5.4 Repayments.

5.4.1 Revolving Loans. The Revolving Loans shall be paid in full and the Revolving Commitment shall terminate on the Termination Date.

5.4.2 Term Loan and Delayed Draw Term Loan.

(a) Term Loan. The principal amount of the Term Loan shall be paid in quarterly installments equal to $926,250 each payable on December 31, 2020, and on the last day of each calendar quarter thereafter. Unless sooner paid in full, the outstanding principal balance of Term Loan shall be paid in full on the Term Loan Maturity Date.

(b) Delayed Draw Term Loan. The principal amount of each Delayed Draw Loan Advance shall be paid in quarterly installments each in an amount equal to the Delayed Draw Term Loan Advance Payment for such Delayed Draw Term Loan Advance commencing on the last day of the calendar quarter immediately following the calendar quarter in which such Delayed Draw Term Loan Advance is funded and continuing on the last day of each calendar quarter thereafter. Unless sooner paid in full, the outstanding principal balance of the Delayed Draw Term Loan shall be paid in full on the Delayed Draw Term Loan Maturity Date."

2.6. **Maximum Senior Cash Flow Leverage Ratio**. Section 11.14.2 of the Loan Agreement is hereby amended by deleting Section 11.14.2 in its entirety and substituting therefor the following:

"11.14.2 Maximum Senior Cash Flow Leverage Ratio. Not permit the Senior Cash Flow Leverage Ratio for any Computation Period to exceed (a) 2.75 to 1.00 for any Computation Period ending March 31, 2023, June 30, 2023 or September 30, 2023, (b) 2.50 to 1.00 for any Computation Period ending December 31, 2023, March 31, 2024, June 30, 2024 or September 30, 2024, (c) 2.25 to 1.00 for the Computation Period ending December 31, 2024, or any Computation Period thereafter."

2.7. **Negative Covenants**. Section 11 of the Loan Agreement is hereby amended by deleting subsections 11.7 and 11.11 in their entirety and substituting therefor the following, respectively:

"11.7 Transactions with Affiliates. Not (a) enter into, or cause, suffer or permit to exist any transaction, arrangement or contract with any of its other Affiliates (other than the Loan Parties) which is on terms which are less favorable than are obtainable from any Person which is not one of its Affiliates, (b) enter into, or cause, suffer or permit to exist any loans with any of its other Affiliates, KAI or the Parent, other than the IWS Intercompany Note (limited to the principal amount of such note outstanding as of the Closing Date), the KWH Note (the principal amount of which shall be unlimited) and the KAI Intercompany Loan, or (c) pay any management, shared services, overhead or other charges to any of Parent, KAI or any other Affiliate of a Borrower; provided, however, provided no Event of Default then exists or would be caused thereby on a pro forma basis, (i) Loan Parties shall be permitted to pay the Permitted Tax Distributions, (ii) Borrowers shall be permitted to pay KAI reasonable fees for Shared Services with KAI in an aggregate amount not to exceed $630,000.00 in any Fiscal Year, and (iii) Borrowers shall be permitted to reimburse KAI for payments to third parties for services rendered to the Borrowers, including without limitation health insurance premiums and claims expenses, other employee benefit costs, technology and software related expenses, insurance expenses, tax professional expenses, rent for shared space and related expenses of IWS, and audit expenses."

"11.11 Investments. Not make or permit to exist any Investment in any other Person, except the following:

(a) contributions by Borrowers to the capital of any domestic Wholly-Owned Subsidiary in existence on the Closing Date, or by any Subsidiary to the capital of any other domestic Wholly-Owned Subsidiary in existence on the Closing Date, so long as the recipient of any such capital contribution has guaranteed the Obligations and such guaranty is secured by a pledge of all of its Capital Securities and substantially all of its real and personal property, in each case in accordance with Section 10.10;

(b) Investments constituting Debt permitted by Section 11.1;

(c) Contingent Liabilities constituting Debt permitted by Section 11.1 or Liens permitted by Section 11.2;

(d) Cash Equivalent Investments;

(e) bank deposits with Lender in the ordinary course of business, other than the Excluded Accounts;

(f) Investments in Excluded Accounts;

(g) Investments in securities of Account Debtors received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such Account Debtors;

(h) The Intercompany Notes;

(i) The loans of PAC to Pinnacle Dealer Group LLC pursuant to the loan documents listed on Schedule 11.11 hereof, which shall not be amended without the prior written approval of Lender;

(j) Investments listed on Schedule 11.11 as of the Closing Date; and

(k) the KAI Intercompany Loan.

provided that (x) any Investment which when made complies with the requirements of the definition of the term "Cash Equivalent Investment" may continue to be held notwithstanding that such Investment if made thereafter would not comply with such requirements; (y) no Investment otherwise permitted by clause (b), or (c) shall be permitted to be made if, immediately before or after giving effect thereto, any Default or Event of Default exists."

2.8. **Assignment**. Clause (b) of Section 14.13.1 of the Loan Agreement is hereby amended by deleting such clause (b) in its entirety and substituting therefor the following:

“(b) From and after the date on which the conditions described above have been met, (i) such Assignee shall be deemed automatically to have become a party hereto and, to the extent that rights and obligations hereunder have been assigned to such Assignee pursuant to an assignment agreement between Lender and the Assignee, shall have the rights and obligations of Lender hereunder and (ii) Lender, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment Agreement, shall be released from its rights (other than its indemnification rights) and obligations hereunder. Upon the request of the Assignee (and, as applicable, Lender) pursuant to an effective assignment agreement, Borrowers shall execute and deliver to the Assignee (and, as applicable, Lender) Notes in the principal amounts of (i) the Assignee's pro rata share of the Revolving Commitment, (ii) the principal amount of the Assignee's Term Loan, and (iii) the principal amount of the Assignee’s Delayed Draw Term Loan (and, as applicable, Notes in (i) the principal amounts of the pro rata share of the Revolving Commitment retained by Lender, (ii) the principal amount of the Term Loan retained by Lender, and (iii) the principal amount of the Delayed Draw Term Loan retained by Lender). Each such Note shall be dated the effective date of such assignment. Upon receipt by Lender of such Note, Lender shall return to Borrowers any prior Note held by it.”

2.9. **Annex A - Commitments**. Annex A attached to the Loan Agreement is hereby amended by deleting Annex A attached to the Loan Agreement in its entirety and substituting therefor Annex A attached to this Second Amendment and incorporated herein.

2.10 **Exhibit B – Compliance Certificate**. Exhibit B attached to the Loan Agreement is hereby amended by deleting Annex A attached to the Loan Agreement in its entirety and substituting therefor Annex A attached to this Second Amendment and incorporated herein.

3. **Conditions Precedent**. Lender’s obligation to provide the Additional Financial Accommodations to Borrowers is subject to the full and timely performance of the following conditions precedent:

3.1. Borrowers executing and delivering, or causing to be executed and delivered to Lender, the following documents, each of which shall be in form and substance acceptable to Lender:

(i) a duly executed original of this Second Amendment;

(ii) a duly executed original Delayed Draw Term Note executed and delivered by Borrowers to Lender in the principal amount of the Delayed Draw Term Loan Commitment;

(iii) an original Company General Certificate of even date herewith duly executed by each Loan Party to Lender; and

(iv) such other agreements, documents and instruments as Lender may reasonably request.

3.2. No Event of Default or Default exists under the Loan Agreement, as amended by this Second Amendment, or the other Loan Documents;

3.3. No claims, litigation, arbitration proceedings or governmental proceedings not disclosed in writing to Lender prior to the date of hereof shall be pending or known to be threatened against any Borrower and no known material development not so disclosed shall have occurred in any claims, litigation, arbitration proceedings or governmental proceedings so disclosed which in the opinion of Lender is likely to materially or adversely affect the financial position or business of any Borrower or the capability of any Borrower to pay its obligations and liabilities to Lender; and

3.4. There shall have been no material or adverse change in the business, financial condition or results of operations since the date of Borrowers’ most recently delivered financial statements to Lender.

4. **Reservation of Rights**. Lender continues to reserve all of its rights and remedies, including all security interests, assignments and liens pursuant to the Loan Agreement and the other Loan Documents, as well as any rights and remedies at law, in equity or otherwise. Nothing contained in this Second Amendment shall be or be deemed a waiver of any presently existing or any hereafter arising or occurring breach, default or event of default, nor shall preclude the subsequent exercise of any of Lender’s rights or remedies. Upon the occurrence of an Event of Default under the Loan Agreement, Lender may exercise all of its rights and remedies, whether pursuant to the Loan Agreement, the other Loan Documents, at law, in equity or otherwise.

5. **Conflict**. If, and to the extent, the terms and provisions of this Second Amendment contradict or conflict with the terms and provisions of the Loan Agreement, the terms and provisions of this Second Amendment shall govern and control; provided, however, to the extent the terms and provisions of this Second Amendment do not contradict or conflict with the terms and provisions of the Loan Agreement, the Loan Agreement, as amended by this Second Amendment, shall remain in and have its intended full force and effect, and Lender and the Loan Parties hereby affirm, confirm and ratify the same.

6. **Severability.** Wherever possible, each provision of this Second Amendment shall be interpreted in such manner as to be valid and enforceable under applicable law, but if any provision of this Second Amendment is held to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be severed herefrom and such invalidity or unenforceability shall not affect any other provision of this Second Amendment, the balance of which shall remain in and have its intended full force and effect. Provided, however, if such provision may be modified so as to be valid and enforceable as a matter of law, such provision shall be deemed to be modified so as to be valid and enforceable to the maximum extent permitted by law.

7. **Reaffirmation**. The Loan Parties hereby reaffirm and remake all of their representations, warranties, covenants, duties, obligations and liabilities contained in the Loan Agreement, as amended hereby.

8. **Fees, Costs and Expenses**. Borrowers agree to pay, upon demand, all fees, costs and expenses of Lender, including, but not limited to, reasonable attorneys’ fees, in connection with the preparation, execution, delivery and administration of this Second Amendment and the other agreements, documents and instruments executed and delivered in connection herewith or pursuant hereto.

9. **Choice of Law**. This Second Amendment has been delivered and accepted in Chicago, Illinois, and shall be governed by and construed in accordance with the laws of the State of Illinois, regardless of the laws that might otherwise govern under applicable principles of conflicts of law as to all matters, including matters of validity, construction, effect, performance and remedies.

10. **Counterparts**. This Second Amendment may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. A facsimile or email transmitted executed counterpart to this Second Amendment and the other agreements, documents and instruments executed in connection herewith will be deemed an acceptable original for purposes of consummating this Second Amendment and such other agreements, documents and instruments;

provided, however, each Loan Party shall be required to deliver to Lender original executed signature pages in substitution for said facsimile or email transmitted signature pages upon Lender's request therefor.

12. **Waiver of Jury Trial**. EACH LOAN PARTY AND LENDER HEREBY WAIVES THEIR RESPECTIVE RIGHT TO TRIAL BY JURY.

[signature page follows]

In Witness Whereof, Lender, Borrowers and the other Loan Parties party hereto have caused this Second Amendment to be executed and delivered by their duly authorized officers as of the date first set forth above.

Lender:

CIBC Bank USA

By: ______________________________

Name: Megan Lingle

Title: Managing Director

[*Signatures continue on next page*]

[*Signature page to Second Amendment to Loan and Security Agreement*]

Borrowers:

By: ______________________________

John T. Fitzgerald, an authorized

signatory of each of the following entities:

KINGSWAY WARRANTY HOLDINGS LLC, a Delaware limited liability company

TRINITY WARRANTY SOLUTIONS LLC, a Delaware limited liability company

GEMINUS HOLDING COMPANY, INC., a Delaware corporation

IWS ACQUISITION CORPORATION, a Florida corporation

PWI HOLDINGS, INC., a Pennsylvania corporation

Other Loan Parties:

By: ______________________________

John T. Fitzgerald, an authorized

signatory of each of the following entities:

PRIME AUTO CARE INC., a Delaware corporation

THE PENN WARRANTY CORPORATION, a Pennsylvania corporation

PREFERRED WARRANTIES, INC., a Pennsylvania corporation

SUPERIOR WARRANTIES, INC., a Pennsylvania corporation

PREFERRED WARRANTIES OF FLORIDA, INC., a Florida corporation

[*Signature page to Second Amendment to Loan and Security Agreement*]

ANNEX A

COMMITMENTS

Lender	Revolving Commitment Amount*/	Term Loan Commitment**/	Delayed Draw Term Loan Commitment
CIBC Bank USA	$1,000,000.000000000	$24,700,000.00	$10,000,000.00
TOTALS	$1,000,000.00	$24,700,000.00	$10,000,000.00

*/ Carry out to nine decimal places.

**/ Fully funded as of the Closing Date

EXHIBIT B

FORM OF COMPLIANCE CERTIFICATE

To: CIBC Bank USA, as Lender

Please refer to the Loan and Security Agreement dated as of December 1, 2020 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan and Security Agreement") among Kingsway Warranty Holdings LLC, a Delaware limited liability company ("KWH"), Trinity Warranty Solutions LLC, a Delaware limited liability company ("Trinity"), Geminus Holding Company, Inc., a Delaware corporation ("Geminus"), IWS Acquisition Corporation, a Florida corporation ("IWS"), and PWI Holdings, Inc., a Pennsylvania corporation ("PWI") (KWH, Trinity, Geminus, IWS and PWI are collectively referred to herein as "Borrowers" and individually as a "Borrower"), the other Loan Parties thereto and CIBC Bank USA, as Lender. Terms used but not otherwise defined herein are used herein as defined in the Loan and Security Agreement.

I. Reports. Enclosed herewith is a copy of the **[annual audited/quarterly]** report of Borrowers as at _____________, ____ (the "Computation Date"), which report fairly presents in all material respects the financial condition and results of operations **[(subject to the absence of footnotes and to normal year-end adjustments)]** of Borrowers as of the Computation Date and has been prepared in accordance with GAAP consistently applied.

II. Financial Tests. Borrowers hereby certify and warrant to you that the following is a true and correct computation as at the Computation Date of the following ratios and/or financial restrictions contained in the Loan and Security Agreement:

A.Section 11.14.1 - Minimum Fixed Charge Coverage Ratio

1.	Consolidated Net Income		$________
2.	Interest Expense	$________	
	income tax expense	$________	
	depreciation	$________	
	amortization	$________	
	non-cash charges or losses	$________	
	other (change in DAC)	$________	
3.	Change in Deferred Revenue	$________	
4.	Consolidated Loss Multiple	_____%	
5.	Item 3 times Item 4	$________	
6.	Sum of Items 1, 2 and 5 (Consolidated Adjusted Modified Cash EBITDA)		$________
7.	Income taxes paid	$________	
8.	Capital Expenditures	$________	

Exh. B-1

9.	Dividends and Distributions	$________	
10.	Sum of (7), (8) and (9)		$________
11.	Remainder of (6) minus (10)		$________
12.	Interest Expense	$________	
13.	Required payments of principal of Funded Debt (including the Term Loan and Delayed Draw Term Loan but excluding Revolving Loans)	$________	
14.	Sum of (12) and (13)		$________
15.	Ratio of (11) to (14)	____ to 1.00	
16.	Minimum Required	1.25 to 1.00	

B.Section 11.14.2 – Maximum Senior Cash Flow Leverage Ratio

1.	Senior Debt	$________
2.	Consolidated Adjusted Modified Cash EBITDA (from Item A(6) above)	$________
3.	Ratio of (1) to (2)	____ to 1
4.	Maximum permitted	____ to 1 (per 11.14.2)

C.Section 11.14.3 - Capital Expenditures

1.	Capital Expenditures for the Fiscal Year	$__________
2.	Maximum Permitted Capital Expenditures	$750,000 (per 11.14.3)

Borrowers further certify to you that no Default or Event of Default has occurred and is continuing.

Exh. B-2

KWH has caused this Certificate to be executed and delivered by its duly authorized signatory on behalf of it and all of the Borrowers on _________, ____.

Kingsway Warranty Holdings LLC,
a Delaware limited liability company

By: ____________________________

Name: __________________________

Its: ____________________________

Exh. B-3

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Exhibit 21

Subsidiaries of Kingsway Financial Services Inc.

Subsidiaries	Jurisdiction of Incorporation/Organization
Kingsway America II Inc.	Delaware
1347 Advisors LLC Kingsway General Insurance Company	Delaware Ontario
Argo Holdings Fund I, LLC Kingsway Reinsurance Corporation	Delaware Barbados
Argo Management Group, LLC Kingsway America Inc.	Delaware
CMC Acquisition LLC	Delaware
CMC Industries Inc	Texas
Texas Rail Terminal LLC	Delaware
TRT Leaseco, LLC	Delaware
Flower Portfolio 001, Argo Holdings Fund I, LLC	Delaware
Kingsway America Inc. Argo Management Group, LLC	Delaware
Ravix Acquisition LLC	Delaware
Ravix Group, Inc	Delaware
CSuite Financial Partners, LLC	California
Kingsway Amigo Insurance Company	Florida
Kingsway General Insurance Company	Ontario
Kingsway LGIC Holdings, LLC	Delaware
Kingsway Reinsurance Corporation	Barbados
Kingsway Warranty Holdings LLC	Delaware
Geminus Holding Company, Inc	Delaware
Prime Auto Care Inc	Delaware
The Penn Warranty Corporation	Pennsylvania
Geminus Reinsurance Company, LTD	Turks and Caicos
IWS Acquisition Corporation	Florida
PWI Holdings, Inc	Pennsylvania
Preferred Warranties, Inc	Pennsylvania
Preferred Warranties of Florida, Inc.	Florida
Preferred Nationwide Reinsurance Company, Ltd	Turks and Caicos
Superior Warranties, Inc	Pennsylvania
Trinity Warranty Solutions, LLC	Delaware
Net Lease Investment Grade Portfolio LLC	Delaware
Professional Warranty Services, LLC	Delaware
Ravix Acquisition LLC	Delaware
Ravix Financial, Inc	Delaware
CSuite Financial Partners, LLC	California
VA Lafayette, LLC	Delaware
Kingsway Search Xcelerator Inc.	Delaware
Pegasus Acquirer Holdings LLC	Delaware
Secure Nursing Service LLC	Delaware
CSuite DDI Acquisition LLC	Delaware
Digital Diagnostics Inc	Florida
Vertical Market Solutions LLC	Delaware
Systems Products International Inc	Florida

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Kingsway Financial Services Inc.'s Registration Statements on Form S-8 (File Nos. 333-249266, 333-228286, 333-196633 and 333-194108) of our report dated March 8, 2023 March 5, 2024, relating to the December 31, 2022 December 31, 2023 and 2021 2022 consolidated financial statements which appears in Kingsway Financial Services Inc.'s Form 10-K for the year ended December 31, 2022 December 31, 2023.

/s/ Plante & Moran PLLC

March 8, 2023 5, 2024
Denver, CO

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302

Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John T. Fitzgerald, certify that:

1. I have reviewed this report on Form 10-K of Kingsway Financial Services Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2023 5, 2024

By /s/ John T. Fitzgerald

John T. Fitzgerald, President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kent A. Hansen, certify that:

1. I have reviewed this Form 10-K of Kingsway Financial Services Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2023 5, 2024

By /s/ Kent A. Hansen

Kent A. Hansen, Chief Financial Officer and Executive Vice President

(Principal Financial Officer)

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Kingsway Financial Services Inc. (the “Company”) for the year ended December 31, 2022 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned John T. Fitzgerald, the President and Chief Executive Officer and Principal Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2023 5, 2024

By /s/ John T. Fitzgerald

John T. Fitzgerald, President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Kingsway Financial Services Inc. (the “Company”) for the year ended December 31, 2022 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Kent A. Hansen, the Chief Financial Officer and Principal Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of the undersigned's knowledge and belief:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2023 5, 2024

By /s/ Kent A. Hansen

Kent A. Hansen, Chief Financial Officer and Executive Vice President

(Principal Financial Officer)

Exhibit 97.1

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INCENTIVE COMPENSATION CLAWBACK POLICY

The Board of Directors (the “Board”) of Kingsway Financial Services Inc. (the “Company”) believes that it is in the best interests of the Company to adopt this Incentive Compensation Clawback Policy (the “Policy”), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below).

This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rule 10D-1 promulgated under the Exchange Act (“Rule 10D-1”) and Section 303A.14 of the New York Stock Exchange (the “NYSE”) Listed Company Manual (the “Listing Standards”).

1. Administration

Except as specifically set forth herein, this Policy shall be administered by the Compensation & Management Resource Committee of the Board (“Administrator”).

The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy.

In the administration of this Policy, the Administrator is authorized and directed to consult with the full Board or such other committees of the Board as may be necessary or appropriate as to matters within the scope of such other committee’s responsibility and authority.

Subject to any limitation at applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

2. Definitions

As used in this Policy, the following definitions shall apply:

- “Accounting Restatement” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

- “Administrator” has the meaning set forth in Section 1 hereof.
- “Applicable Period” means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The “date on which the Company is required to prepare an Accounting Restatement” is the earlier to occur of (a) the date the Board, a committee of the Board, or an officer of the Company concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.
- “Covered Executives” means the Company’s current and former executive officers, as determined by the Administrator in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.
- “Erroneously Awarded Compensation” has the meaning set forth in Section 5 of this Policy.

- A “Financial Reporting Measure” is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. Financial Reporting Measures include but are not limited to the following (and any measures derived from the following): Company stock price; total shareholder return (“TSR”); revenues; net income; operating income; profitability of one or more reportable segments; financial ratios (e.g., accounts receivable turnover and inventory turnover rates); earnings before interest, taxes, depreciation and amortization; funds from operations and adjusted funds from operations; liquidity measures (e.g., working capital, operating cash flow); return measures (e.g., return on invested capital, return on assets); earnings measures (e.g., earnings per share); any of such financial reporting measures relative to a peer group, where the Company’s financial reporting measure is subject to an Accounting Restatement; and tax basis income. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the Securities Exchange Commission.
- “Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is “received” for purposes of this Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

3. **Covered Executives**; **Incentive-Based Compensation**

This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange.

4. Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting Restatement

In the event the Company is required to prepare an Accounting Restatement, the Company shall promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, during the Applicable Period.

5. Erroneously Awarded Compensation: Amount Subject to Recovery

The amount of “Erroneously Awarded Compensation” subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts.

Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.

By way of example, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.

For Incentive-Based Compensation based on stock price or TSR: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the NYSE.

6. Method of Recoupment

The Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash or equity-based award, (b) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (c) cancelling or offsetting against any planned future cash or equity-based awards, (d) forfeiture of deferred compensation, subject to compliance with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder and (e) any other method authorized by applicable law or contract. Subject to compliance with any applicable law, the Administrator may effect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Administrator has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

- The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Administrator must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to NYSE; or
- Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

7. No Indemnification of Covered Executives

Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify any Covered Executives against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential clawback obligations under this Policy.

8. Administrator Indemnification

Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

9. **Effective Date**; **Retroactive Application**

This Policy shall be effective as of October 2, 2023 (the "Effective Date"). The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date. Without limiting the generality of Section 6 hereof, and subject to applicable law, the Administrator may effect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

10. **Amendment**; **Termination**

The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed.

11. **Other Recoupment Rights**; **Company Claims**

The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company.

Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

12. Successors

This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

13. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

DATE: November 17, 2023

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.