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DELTA REPORT

10-Q

KFS - KINGSWAY FINANCIAL SERVIC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	3660
CHANGES	418
DELETIONS	2108
ADDITIONS	1134

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For Quarterly Period Ended

September 30, 2023 **March 31, 2024**

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 and 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(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	KFS	New York Stock Exchange

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

The number of shares, including restricted common shares, outstanding of the registrant's common stock as of November 7, 2023 May 8, 2024 was 28,291,499. 27,921,473.

KINGSWAY FINANCIAL SERVICES INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets

(in thousands, except share data)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
Assets				

Investments:				
Fixed maturities, at fair value (amortized cost of $38,302 and $40,127, respectively)	$ 35,815	$ 37,591		
Equity investments, at fair value (cost of $187 and $187, respectively)	205	153		
Fixed maturities, at fair value (amortized cost of $38,295 and $38,107, respectively)			$ 36,585	$ 36,473
Equity investments, at fair value (cost of $10 and $73, respectively)			—	79
Limited liability investments	816	983	753	812
Limited liability investments, at fair value	3,599	17,059	3,488	3,496
Investments in private companies, at adjusted cost	854	790	854	854
Other investments, at cost which approximates fair value (net of allowance of $116 and zero, respectively)	69	201		
Other investments, at cost which approximates fair value (net of allowance of $179 and $179, respectively)			—	6
Short-term investments, at cost which approximates fair value	160	157	163	161
Total investments	41,518	56,934	41,843	41,881
Cash and cash equivalents	20,183	64,168	12,112	9,098
Restricted cash	9,103	13,064	7,909	8,400
Accrued investment income	944	1,195	988	914
Service fee receivable, net of allowance for credit losses of $307 and $147, respectively	9,426	10,304		
Other receivables, net of allowance of $8 and $8, respectively	1,035	3,720		
Service fee receivable, net of allowance for credit losses of $238 and $243, respectively			10,496	10,083
Other receivables, net of allowance of $5 and $5, respectively			346	726
Deferred contract costs	13,892	13,257	13,793	13,734
Income taxes recoverable	406	—	938	1,299
Property and equipment, net of accumulated depreciation of $1,062 and $1,041, respectively	639	773		
Property and equipment, net of accumulated depreciation of $1,285 and $1,158, respectively			1,914	1,850
Right-of-use asset	840	911	1,160	886
Goodwill	46,399	45,498	50,452	50,358
Intangible assets, net of accumulated amortization of $26,480 and $22,228, respectively	30,817	33,099		
Other assets	3,368	23,249		
Intangible assets, net of accumulated amortization of $29,552 and $28,137, respectively			33,744	35,670
Other assets, net of allowance for credit losses of $21 and zero, respectively			4,964	5,066
Assets held for sale	19,474	19,478	17,309	17,752
Total Assets	$ 198,044	$ 285,650	$ 197,968	$ 197,717
Liabilities and Shareholders' Equity				
Liabilities:				
Accrued expenses and other liabilities	$ 24,830	$ 55,801	$ 23,915	$ 22,342
Income taxes payable	—	945		
Deferred service fees	82,314	82,713	84,002	83,995
Bank loans	28,312	34,281	33,410	30,822
Subordinated debt, at fair value	12,624	67,811	13,651	13,594
Lease liability	1,170	1,217	1,456	1,198
Net deferred income tax liabilities	4,456	4,176	4,956	5,041
Liabilities held for sale	16,210	16,585	15,936	16,114
Total Liabilities	169,916	263,529	177,326	173,106
Redeemable Class A preferred stock, no par value; 1,000,000 authorized; zero and 149,733 issued and outstanding at September 30, 2023 and December 31, 2022, respectively; redemption amount of zero and $6,013 at September 30, 2023 and December 31, 2022, respectively	—	6,013		
Shareholders' Equity:				

Common stock, no par value; 50,000,000 authorized; 27,761,129 and 23,437,530 issued at September 30, 2023 and December 31, 2022, respectively; and 27,413,983 and 23,190,080 outstanding at September 30, 2023 and December 31, 2022, respectively	—	—		
Common stock, no par value; 50,000,000 authorized; 28,050,686 and 27,771,790 issued at March 31, 2024 and December 31, 2023, respectively; and 27,372,509 and 27,101,613 outstanding at March 31, 2024 and December 31, 2023, respectively			—	—
Additional paid-in capital	379,192	359,985	378,289	379,813
Treasury stock, at cost; 347,146 and 247,450 outstanding at September 30, 2023 and December 31, 2022, respectively	(1,294)	(492)		
Treasury stock, at cost; 678,177 and 670,177 outstanding at March 31, 2024 and December 31, 2023, respectively			(3,760)	(3,696)
Accumulated deficit	(345,051)	(370,427)	(349,353)	(346,868)
Accumulated other comprehensive (loss) income	(1,270)	26,605		
Accumulated other comprehensive loss			(1,588)	(1,540)
Shareholders' equity attributable to common shareholders	31,577	15,671	23,588	27,709
Noncontrolling interests in consolidated subsidiaries	(3,449)	437	(2,946)	(3,098)
Total Shareholders' Equity	28,128	16,108	20,642	24,611
Total Liabilities, Class A preferred stock and Shareholders' Equity	$ 198,044	$ 285,650		
Total Liabilities and Shareholders' Equity			$ 197,968	$ 197,717

See accompanying notes to unaudited consolidated financial statements.

KINGSWAY FINANCIAL SERVICES INC.

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

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenues:						
Service fee and commission revenue	$ 24,790	$ 22,396	$ 77,376	$ 68,442	$ 26,160	$ 26,389
Total revenues	24,790	22,396	77,376	68,442	26,160	26,389
Operating expenses:						
Claims authorized on vehicle service agreements	5,880	5,243	17,509	15,771	6,121	5,410
Commissions	2,573	2,277	7,660	5,537	2,608	2,520
Cost of services sold	6,226	4,043	21,121	12,758	6,309	7,747
General and administrative expenses	10,319	9,721	30,013	32,494	10,355	10,198
Disposal of subsidiary transaction expenses	—	5,408	—	5,408		
Total operating expenses	24,998	26,692	76,303	71,968	25,393	25,875
Operating (loss) income	(208)	(4,296)	1,073	(3,526)		
Operating income					767	514
Other revenues (expenses), net:						
Net investment income	351	463	1,419	1,547	326	738
Net realized gains	206	797	539	1,035	124	210
Net gain (loss) on equity investments	592	(5)	3,374	(53)		
Gain on change in fair value of limited liability investments, at fair value	320	195	194	368		

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		
Impairment losses	(71)	—	(166)	—		
Gain (loss) on change in fair value of derivative asset option contracts	—	13,498	(1,366)	13,498		
Non-operating other revenue (expense)	156	238	(1,554)	(420)		
Net (loss) gain on equity investments					(3)	1,075
Loss on change in fair value of limited liability investments, at fair value					(8)	(130)
Loss on change in fair value of derivative asset option contracts					—	(1,366)
Non-operating other expense					(87)	(145)
Interest expense	(1,061)	(2,139)	(5,119)	(5,207)	(1,145)	(2,972)
Amortization of intangible assets	(1,424)	(1,358)	(4,252)	(4,242)	(1,414)	(1,418)
Loss on change in fair value of debt	(165)	(1,794)	(195)	(4,992)		
Gain on disposal of subsidiary	342	37,917	342	37,917		
Impairment of intangible assets					(511)	—
(Loss) gain on change in fair value of debt					(80)	309
Gain on extinguishment of debt	—	—	31,616	—	—	31,616
Total other (expenses) revenue, net	(691)	49,300	24,895	40,939	(2,798)	27,917
(Loss) income from continuing operations before income tax (benefit) expense	(899)	45,004	25,968	37,413		
Income tax (benefit) expense	(102)	6,061	810	5,620		
(Loss) income from continuing operations before income tax expense					(2,031)	28,431
Income tax expense					84	699
(Loss) income from continuing operations	(797)	38,943	25,158	31,793	(2,115)	27,732
Income from discontinued operations, net of taxes	122	830	339	3,111	191	107
Loss on disposal of discontinued operations, net of taxes	—	(2,500)	—	(2,500)	(404)	—
Net (loss) income	(675)	37,273	25,497	32,404	(2,328)	27,839
Less: Net income (loss) from continuing operations attributable to noncontrolling interests in consolidated subsidiaries	351	(1,191)	121	(1,084)	157	(3)
Less: Net income from discontinued operations attributable to noncontrolling interests in consolidated subsidiaries	—	124	—	469		
Less: Dividends on preferred stock	—	77	74	234	—	69
Net (loss) income attributable to common shareholders	$ (1,026)	$ 38,263	$ 25,302	$ 32,785	$ (2,485)	$ 27,773
Net (loss) income from continuing operations attributable to common shareholders	$ (1,148)	$ 40,057	$ 24,963	$ 32,643	$ (2,272)	$ 27,666
Net income (loss) from discontinued operations attributable to common shareholders	122	(1,794)	339	142		
Net (loss) income from discontinued operations attributable to common shareholders					(213)	107
Net (loss) income attributable to common shareholders	$ (1,026)	$ 38,263	$ 25,302	$ 32,785	$ (2,485)	$ 27,773
Basic (loss) earnings per share attributable to common shareholders:						
Continuing operations	$ (0.04)	$ 1.75	$ 0.99	$ 1.42	$ (0.08)	$ 1.15
Discontinued operations	$ —	$ (0.08)	$ 0.01	$ 0.01	$ (0.01)	$ —
Basic (loss) earnings per share - net (loss) income attributable to common shareholders	$ (0.04)	$ 1.67	$ 1.00	$ 1.43	$ (0.09)	$ 1.15
Diluted (loss) earnings per share attributable to common shareholders:						
Continuing operations	$ (0.04)	$ 1.56	$ 0.96	$ 1.31	$ (0.08)	$ 1.05
Discontinued operations	$ —	$ (0.07)	$ 0.01	$ 0.01	$ (0.01)	$ —

Diluted (loss) earnings per share - net (loss) income attributable to common shareholders	$	(0.04)	$	1.49	$	0.97	$	1.32	$	(0.09)	$ 1.05
Weighted-average shares outstanding (in ‘000s):											
Basic:		26,239		22,960		25,206		22,909		27,107	24,061
Diluted:		26,239		25,716		25,941		25,055		27,107	26,419

See accompanying notes to unaudited consolidated financial statements.

KINGSWAY FINANCIAL SERVICES INC.

Consolidated Statements of Comprehensive (Loss) Income

(in thousands)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Net (loss) income	$ (675)	$ 37,273	$ 25,497	$ 32,404	$ (2,328)	$ 27,839
Other comprehensive (loss) income, net of taxes(1):						
Other comprehensive loss, net of taxes(1):						
Unrealized (losses) gains on available-for-sale investments:						
Unrealized (losses) gains arising during the period	(34)	(861)	165	(2,563)	(63)	442
Reclassification adjustment for amounts included in net (loss) income	(66)	3	(122)	10	(13)	(22)
Change in fair value of debt attributable to instrument-specific credit risk:						
Unrealized gains (losses) arising during the period	84	(3,226)	(740)	3,663	23	(427)
Reclassification adjustment for amounts included in net (loss) income	—	—	(27,177)	—	—	(27,177)
Other comprehensive (loss) income, net of taxes(1):	(16)	(4,084)	(27,874)	1,110		
Other comprehensive loss, net of taxes(1):					(53)	(27,184)
Comprehensive (loss) income	(691)	33,189	(2,377)	33,514	(2,381)	655
Less: comprehensive income (loss) attributable to noncontrolling interests in consolidated subsidiaries	347	(1,094)	122	(686)		
Less: comprehensive income attributable to noncontrolling interests in consolidated subsidiaries					152	12
Comprehensive (loss) income attributable to common shareholders	$ (1,038)	$ 34,283	$ (2,499)	$ 34,200	$ (2,533)	$ 643

(1) Net of income tax (benefit) expense of $0 for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

See accompanying notes to unaudited consolidated financial statements.

KINGSWAY FINANCIAL SERVICES INC.

Consolidated Statements of Shareholders' Equity

(in thousands, except share data)

	Three Months Ended September 30, 2023

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shareholders' Equity Attributable to Common Shareholders	Noncontrolling Interests in Consolidated Subsidiaries	Total Shareholders' Equity
Balance, June 30, 2023	25,431,552	$ —	$ 371,118	$ (543)	$ (344,025)	$ (1,258)	25,292	$ (3,372)	$ 21,920
Vesting of restricted stock awards, net of share settlements for tax withholdings	56,107	—	—	—	—	—	—	—	—
Exercise of Series B warrants	2,019,720	—	10,098	—	—	—	10,098	—	10,098
Repurchases of Series B warrants	—	—	(2,025)	—	—	—	(2,025)	—	(2,025)
Net (loss) income	—	—	—	—	(1,026)	—	(1,026)	351	(675)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(424)	(424)
Repurchases of common stock	(93,396)	—	—	(751)	—	—	(751)	—	(751)
Other comprehensive loss	—	—	—	—	—	(12)	(12)	(4)	(16)
Stock-based compensation, net of tax withholdings related to net share settlements	—	—	1	—	—	—	1	—	1
Balance, September 30, 2023	27,413,983	$ —	$ 379,192	$ (1,294)	$ (345,051)	$ (1,270)	$ 31,577	$ (3,449)	$ 28,128

	Three Months Ended March 31, 2024								
	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Shareholders' Equity Attributable to Common Shareholders	Noncontrolling Interests in Consolidated Subsidiaries	Total Shareholders' Equity
Balance, December 31, 2023	27,101,613	$ —	$ 379,813	$ (3,696)	$ (346,868)	$ (1,540)	27,709	$ (3,098)	$ 24,611
Vesting of restricted stock awards	500,000	—	—	—	—	—	—	—	—
Tax withholding related to net share settlement of restricted stock awards	(221,104)	—	(1,844)	—	—	—	(1,844)	—	(1,844)
Net (loss) income	—	—	—	—	(2,485)	—	(2,485)	157	(2,328)
Repurchases of common stock	(8,000)	—	—	(64)	—	—	(64)	—	(64)

Other comprehensive loss	—	—	—	—	—	(48)	(48)	(5)	(53)
Stock-based compensation	—	—	320	—	—	—	320	—	320
Balance, March 31, 2024	27,372,509	$ —	$ 378,289	$ (3,760)	$ (349,353)	$ (1,588)	$ 23,588	$ (2,946)	$ 20,642

	Three Months Ended September 30, 2022								
	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Shareholders' Equity Attributable to Common Shareholders	Noncontrolling Interests in Consolidated Subsidiaries	Total Shareholders' Equity
	Shares	Amount							
Balance, June 30, 2022	22,882,614	$ —	$ 359,536	$ (492)	$ (400,470)	$ 36,017	$ (5,409)	$ 13,692	$ 8,283
Vesting of restricted stock awards, net of share settlements for tax withholdings	56,194	—	—	—	—	—	—	—	—
Conversion of redeemable Class A preferred stock to common stock	125,000	—	788	—	—	—	788	—	788
Exercise of Series B warrants	8,054	—	40	—	—	—	40	—	40
Net income (loss)	—	—	—	—	38,340	—	38,340	(1,067)	37,273
Preferred stock dividends	—	—	(77)	—	—	—	(77)	—	(77)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(294)	(294)
Deconsolidation of noncontrolling interest	—	—	—	—	—	—	—	2,193	2,193
Other comprehensive income (loss)	—	—	—	—	—	(4,057)	(4,057)	(27)	(4,084)
Redemption of equity awards related to disposal of subsidiary	—	—	(1,056)	—	—	—	(1,056)	—	(1,056)
Stock-based compensation, net of tax withholdings related to net share settlements	—	—	(28)	—	—	—	(28)	—	(28)
Balance, September 30, 2022	23,071,862	$ —	$ 359,203	$ (492)	$ (362,130)	$ 31,960	$ 28,541	$ 14,497	$ 43,038

KINGSWAY FINANCIAL SERVICES INC.

	Nine Months Ended September 30, 2023

	Common Stock		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
	Shares	Amount							
Balance, December 31, 2022	23,190,080	$ —	$ 359,985	$ (492)	$ (370,427)	$ 26,605	$ 15,671	$ 437	$ 16,108
Vesting of restricted stock awards, net of share settlements for tax withholdings	56,107	—	—	—	—	—	—	—	—
Conversion of redeemable Class A preferred stock to common stock	935,831	—	6,086	—	—	—	6,086	—	6,086
Exercise of Series B warrants	3,331,661	—	16,658	—	—	—	16,658	—	16,658
Repurchases of Series B warrants	—	—	(4,031)	—	—	—	(4,031)	—	(4,031)
Net income	—	—	—	—	25,376	—	25,376	121	25,497
Preferred stock dividends	—	—	(74)	—	—	—	(74)	—	(74)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(4,008)	(4,008)
Repurchases of common stock	(99,696)	—	—	(802)	—	—	(802)	—	(802)
Other comprehensive (loss) income	—	—	—	—	—	(27,875)	(27,875)	1	(27,874)
Stock-based compensation, net of tax withholdings related to net share settlements	—	—	568	—	—	—	568	—	568
Balance, September 30, 2023	27,413,983	$ —	$ 379,192	$ (1,294)	$ (345,051)	$ (1,270)	$ 31,577	$ (3,449)	$ 28,128

Nine Months Ended September 30, 2022

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Income	Shareholders' Equity Attributable to Common Shareholders	Noncontrolling Interests in Consolidated Subsidiaries	Total Shareholders' Equity
	Shares	Amount							
Balance, December 31, 2021	22,882,614	$ —	$ 359,138	$ (492)	$ (395,149)	$ 30,779	$ (5,724)	$ 13,981	$ 8,257
Vesting of restricted stock awards, net of share settlements for tax withholdings	56,194	—	—	—	—	—	—	—	—

Conversion of redeemable Class A preferred stock to common stock	125,000	—	788	—	—	—	788	—	788
Exercise of Series B warrants	8,054	—	40	—	—	—	40	—	40
Net income (loss)	—	—	—	—	33,019	—	33,019	(615)	32,404
Preferred stock dividends	—	—	(234)	—	—	—	(234)	—	(234)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(991)	(991)
Deconsolidation of noncontrolling interest	—	—	—	—	—	—	—	2,193	2,193
Other comprehensive income (loss)	—	—	—	—	—	1,181	1,181	(71)	1,110
Redemption of equity awards related to disposal of subsidiary	—	—	(1,056)	—	—	—	(1,056)	—	(1,056)
Stock-based compensation, net of tax withholdings related to net share settlements	—	—	527	—	—	—	527	—	527
Balance, September 30, 2022	23,071,862	$ —	$ 359,203	$ (492)	$ (362,130)	$ 31,960	$ 28,541	$ 14,497	$ 43,038

	Three Months Ended March 31, 2023								
	Common Stock		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
	Shares	Amount							
Balance, December 31, 2022	23,190,080	$ —	$ 359,985	$ (492)	$ (370,427)	$ 26,605	$ 15,671	$ 437	$ 16,108
Conversion of redeemable Class A preferred stock to common stock	748,331	—	4,863	—	—	—	4,863	—	4,863
Exercise of Series B warrants	1,258,840	—	6,294	—	—	—	6,294	—	6,294
Net income (loss)	—	—	—	—	27,842	—	27,842	(3)	27,839
Preferred stock dividends	—	—	(69)	—	—	—	(69)	—	(69)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	—	(3,584)	(3,584)
Other comprehensive (loss) income	—	—	—	—	—	(27,199)	(27,199)	15	(27,184)

Stock-based compensation	—	—	283	—	—	—	283	—	283
Balance, March 31, 2023	25,197,251	$ —	$ 371,356	$ (492)	$ (342,585)	$ (594)	$ 27,685	$ (3,135)	$ 24,550

See accompanying notes to unaudited consolidated financial statements.

KINGSWAY FINANCIAL SERVICES INC.

Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2024	2023
Cash provided by (used in):				
Operating activities:				
Net income	$ 25,497	$ 32,404		
Adjustments to reconcile net income to net cash (used in) provided by operating activities:				
Net (loss) income			$ (2,328)	$ 27,839
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:				
Income from discontinued operations, net of taxes	(339)	(3,111)	(191)	(107)
Loss on disposal of discontinued operations, net of taxes	—	2,500	404	—
Equity in net loss (income) of limited liability investments	41	(275)		
Equity in net loss of limited liability investments			60	34
Depreciation and amortization expense	4,466	4,443	1,540	1,492
Stock-based compensation expense	953	3,604	320	283
Net realized gains	(539)	(1,035)	(124)	(210)
(Gain) loss on change in fair value of equity investments	(3,374)	53		
Gain on change in fair value of limited liability investments, at fair value	(194)	(368)		
Net change in unrealized gain on private company investments	(63)	—		
Gain on change in fair value of real estate investments	—	(1,488)		
Loss on change in fair value of debt	195	4,992		
Loss (gain) on change in fair value of derivatives	1,565	(13,854)		
Loss (gain) on change in fair value of equity investments			3	(1,075)
Loss on change in fair value of limited liability investments, at fair value			8	130
Impairment of intangible assets			511	—
Loss (gain) on change in fair value of debt			80	(309)
Loss on change in fair value of derivatives			49	1,446
Loss on change in fair value of contingent consideration	65	1,519	270	—
Deferred income taxes	(100)	2,697	(69)	84
Impairment losses	166	—		
Amortization of fixed maturities premiums and discounts	20	197	(6)	14
Gain on disposal of subsidiary	(342)	(37,917)		
Gain on extinguishment of debt	(31,616)	—	—	(31,616)
Changes in operating assets and liabilities:				
Service fee receivable, net	1,203	(563)	(440)	(249)

Other receivables, net	2,084	2,036	331	1,146
Deferred contract costs	(635)	(2,135)	(59)	(227)
Other assets	871	(2,172)	18	465
Deferred service fees	(399)	(4,789)	7	(346)
Other, net	(9,085)	18,112	(179)	(21,631)
Cash (used in) provided by operating activities - continuing operations	(9,560)	4,850		
Cash provided by (used in) operating activities - continuing operations			205	(22,837)
Cash provided by operating activities - discontinued operations	426	4,493	44	50
Net cash (used in) provided by operating activities	(9,134)	9,343		
Net cash provided by (used in) operating activities			249	(22,787)
Investing activities:				
Proceeds from sales and maturities of fixed maturities	6,416	6,792	1,095	2,316
Proceeds from sales of equity investments	3,321	—	77	—
Purchases of fixed maturities	(4,612)	(10,630)	(1,276)	(1,471)
Net proceeds from limited liability investments	180	1,531	—	98
Net proceeds from limited liability investments, at fair value	14,061	461	115	5,306
Net proceeds from investments in private companies	27	245	9	—
Net proceeds from other investments and short-term investments	16	52	4	7
Net proceeds from disposal of subsidiary	147	35,158		
Acquisition of business, net of cash acquired	(2,766)	(83)		
Net purchases of property and equipment	(80)	43	(190)	(5)
Cash provided by investing activities - continuing operations	16,710	33,569		
Cash (used in) provided by investing activities - continuing operations			(166)	6,251
Cash used in investing activities - discontinued operations	(11)	—	—	—
Net cash provided by investing activities	16,699	33,569		
Net cash (used in) provided by investing activities			(166)	6,251
Financing activities:				
Proceeds from exercise of warrants	16,658	40	—	6,294
Cash paid for repurchase of warrants	(4,031)	—		
Cash paid for repurchase of common stock	(802)	—	(64)	—
Distributions to noncontrolling interest holders	(4,008)	(991)	—	(3,584)
Taxes paid related to net share settlements of restricted stock awards	(384)	(297)		
Principal proceeds from bank loans, net of debt issuance costs of $26			4,174	—
Principal payments on bank loans	(6,052)	(5,028)	(1,626)	(3,251)
Purchase of subordinated debt	(56,452)	—	—	(40,328)
Payment of debt issuance costs	(25)	—	—	(25)
Principal payments on notes payable	—	(371)		
Cash used in financing activities - continuing operations	(55,096)	(6,647)		
Cash provided by (used in) financing activities - continuing operations			2,484	(40,894)
Cash used in financing activities - discontinued operations	(431)	(4,359)	(130)	(126)
Net cash used in financing activities	(55,527)	(11,006)		
Net (decrease) increase in cash and cash equivalents and restricted cash from continuing operations	(47,946)	31,772		
Net cash provided by (used in) financing activities			2,354	(41,020)
Net increase (decrease) in cash and cash equivalents and restricted cash from continuing operations			2,523	(57,480)
Cash and cash equivalents and restricted cash at beginning of period	77,802	29,899	18,110	77,802
Less: cash and cash equivalents and restricted cash of discontinued operations	570	2,558	612	570
Cash and cash equivalents and restricted cash of continuing operations at beginning of period	77,232	27,341	17,498	77,232
Cash and cash equivalents and restricted cash of continuing operations at end of period	$ 29,286	$ 59,113	$ 20,021	$ 19,752

(in thousands)	March 31,

	2024	2023
Reconciliation of cash and cash equivalents and restricted cash to the consolidated balance sheets:		
Cash and cash equivalents	$ 12,112	$ 8,291
Restricted cash	7,909	11,461
Cash and cash equivalents and restricted cash per statements of cash flows	$ 20,021	$ 19,752

See accompanying notes to unaudited consolidated financial statements.

KINGSWAY FINANCIAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2023 March 31, 2024

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 BASIS OF PRESENTATION

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements of the Company. In the opinion of management, all adjustments necessary for a fair presentation have been included and are of a normal recurring nature. Interim results are not necessarily indicative of the results that may be expected for the year.

The accompanying unaudited consolidated interim financial statements and footnotes should be read in conjunction with the audited consolidated financial statements and footnotes included within our Annual Report on Form 10-K ("2022 2023 Annual Report") for the year ended December 31, 2022 2023.

The unaudited consolidated interim financial statements include the accounts of the Company and its subsidiaries, as well as certain variable interest entities as further described in Note 6, "Variable Interest Entities," to the consolidated financial statements in the 2022 2023 Annual Report. All material intercompany transactions and balances have been eliminated in consolidation.

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 classifications 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 unaudited consolidated interim 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 considerations; 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 financial instruments; and contingent consideration. instruments.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, there There have been no material changes to our significant accounting policies as reported in our 2022 2023 Annual Report.

The following two accounting policies, Investments and Service Fee Receivables, have been updated effective January 1,2023 to include additional disclosure as a result of the Company's adoption of Accounting Standards Update ("ASU") 2016-13,*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as further described in Note 4, " Recently Issued Accounting Standards."

Investments - Impairments

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 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 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.

Service Fee Receivables

Service fee receivable includes balances due and uncollected from customers. Service fee receivable is reported net of an estimated allowance for 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 credit losses and any recoveries of previous write-offs are netted against bad debt expense in the period recovered.

NOTE 4 RECENTLY ISSUED ACCOUNTING STANDARDS

(a) Adoption of New Accounting Standards:

Effective January 1, 2023, 2024, the Company adopted 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 requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected by means of an allowance for credit losses that runs through net (loss) income. For available-for-sale fixed maturities carried at fair value, estimated credit losses will continue to be 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 and reversals of the allowance are permitted if the estimate of credit losses declines. For available-for-sale fixed maturities where there is an intent to sell, impairment will continue to result in a write down of amortized cost.

The Company adopted ASU 2016-13 using a modified retrospective method. Prior period amounts have not been adjusted and continue to be reported in accordance with the previous accounting guidance. A prospective transition approach is required for available-for-sale fixed maturity investments that have recognized an other-than-temporary impairment write down prior to the effective date. The adoption of ASU 2016-13 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. credits. The Company does not expect the adoption of ASU 2023-02 did not have an impact on the Company's consolidated financial statements.

(b)Accounting Standards Not Yet Adopted:

In March 2023, the Financial Accounting Standards Board ("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.

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 March 31, 2024. The Company is currently evaluating the impact of 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. Although the Company continues to evaluate the impact of adopting this new accounting standard, the amendments are disclosure-related and should not have a material impact on the Company's consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02,*Codification Improvements - Amendments to Remove References to the Concepts Statements* ("ASU 2024-02"). ASU 2024-02 amends the Codification to remove references to various concepts statements and impacts a variety of topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. Generally, the amendments in ASU 2024-02 are not intended to result in significant accounting changes for most entities. ASU 2024-02 is effective January 1, 2025. The Company does not expect ASU 2024-02to have an a significant impact on its consolidated financial statements.

NOTE 5 ACQUISITIONS DISPOSAL ANDAND DISCONTINUED OPERATIONS

(a) Business Combinations

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 20 19, "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 fourth first quarter half of 2023. 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. Based upon a preliminary analysis of SPI,

The Company records measurement period adjustments in the period in which the adjustments occur. During the three months ended March 31, 2024, the Company would expect recorded a measurement period adjustment that increased goodwill by $0.1 million compared to record a contract asset. Any such the amount recorded at December 31,2023. The measurement period adjustment would be made against the preliminary goodwill amount shown reflects changes in the table below.

Refer to Note 8, "Intangible Assets," for further disclosure of the intangible assets related to this acquisition. The goodwill of $0.9 million represents the premium paid over the estimated fair value of the net tangible and intangible assets acquired, which the Company paid to grow its portfolio contract asset of companies and acquire an assembled workforce. The goodwill is not deductible for tax purposes. $0.1 million.

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	September 7, 2023
Cash and cash equivalents	$ 121	$ 121
Restricted cash	6	6
Service fee receivable	325	381
Goodwill	911	175
Intangible asset not subject to amortization - trade name		120
Intangible asset subject to amortization - customer relationships	1,200	1,000
Intangible asset subject to amortization - developed technology	600	600
Intangible asset not subject to amortization - trade name	170	
Other assets	24	1,705
Total assets	$ 3,357	$ 4,108
Accrued expenses and other liabilities	$ 177	$ 125
Deferred service fees		423
Net deferred income tax liabilities	380	760
Total liabilities	$ 557	$ 1,308
Purchase price	$ 2,800	$ 2,800

The consolidated statements of operations include the earnings of SPI from the date of acquisition. From the date of acquisition through September 30, 2023, SPI earned revenue of $0.2 million and had net income of $0.3 million. During the three andnine months ended September 30, 2023, the Company incurred expenses related

Notes to the acquisition of SPI of $0.2 million, which are included in general and administrative expenses in the consolidated statements of operations. The proforma effects of the SPI acquisition are Consolidated Financial Statements (Unaudited)

not March 31, 2024 material to the Company's consolidated statements of operations for the three and nine

months ended Digital Diagnostics Imaging, Inc.September 30, 2023 and September 30, 2022.

CSuite Financial Partners, LLC

On November October 26, 2023, 1,2022,the Company acquired 100% of the outstanding equity interests of CSuite Financial Partners, LLC Digital Diagnostics Imaging, Inc. ("CSuite" DDI"). CSuite, 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 Manhattan Beach, California, Wall, New Jersey, is a national financial executive services firm providing financial management leadership to companies in every industry, regardless provider of size, throughout the United States. fully managed outsourced cardiac telemetry services. As further discussed in Note 20 19, "Segmented Information ," CSuite ," DDI is included in the Kingsway Search Xcelerator segment. This acquisition was the Company's second fifth 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. 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 September 30, 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 were are subject to adjustment during a measurement period subsequent to the acquisition date, not to exceed one-year year as permitted under U.S. GAAP. During GAAP. The Company expects to complete its purchase price allocation during the first quarter half of 2023, 2024. These estimates, allocations and calculations are subject to change as we obtain further information; therefore, the Company finalized its final fair value analysis values of the assets acquired and liabilities assumed with could change from the assistance of a third party. No estimates included in these consolidated financial statements.

The Company records measurement period adjustments were in the period in which the adjustments occur. During the three months ended March 31, 2024, the Company recorded as a result of finalizing measurement period adjustment that increased goodwill by less than $0.1 million compared to the fair value analysis.

amount recorded at December 31,2023.

Secure NursingService, Inc.

On November 18, 2022, The following table summarizes the Company acquired substantially all preliminary estimated allocation 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 20, "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 DDI 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 2023, 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.acquisition:

(in thousands)		
		October 26, 2023
Cash and cash equivalents	$	124
Service fee receivable		496
Property and equipment, net		1,183
Right-of-use asset		145
Goodwill		4,788
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

(b) 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.

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 has estimated the potential earnout payment to be zero as of September 30, 2023.

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 was included in the Extended Warranty segment, are included in the unaudited interim consolidated statements of operations for the three and nine months ended September 30, 2022 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, which had contributions to Extended Warranty service fee and commission revenue of $0.7 million and $4.9 million for the three and nine months ended September 30, 2022, respectively. Additionally, PWSC had pre-tax loss of $5.2 million and $5.5 million for the three and nine months ended September 30, 2022, respectively. For the three and nine months ended September 30, 2022, pre-tax loss of $4.1 million and $4.4 million, respectively, was attributable to the controlling interest.

During the three and nine months ended September 30, 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.

(c) Discontinued Operations

Leased Real Estate Segment

The Company's subsidiaries, VA Lafayette, LLC ("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 prior to the fourth quarter of 2022. 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, onOn 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 was 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 ofCMC 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 was subject to a long-term triple net lease agreement. The Real Property 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.

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.

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 second 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 first quarter of 2024, the Company recognized an estimated non-cash, loss on disposal of $0.4 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 on December 29, 2022, 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 September 30, 2023 March 31, 2024 and December 31, 2022 2023.

Summary financial information for Leased Real Estate included in income from discontinued operations, net of taxes in the unaudited consolidated statements of operations for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 is presented below:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Income from discontinued operations, net of taxes:						
Revenues:						
Rental revenue	$ 311	$ 3,633	$ 941	$ 10,933	$ 373	$ 319
Total revenues	311	3,633	941	10,933	373	319
Expenses:						
Cost of services sold	46	48	147	151	53	47
General and administrative expenses	56	1,042	192	2,479	60	77
Leased real estate segment interest expense	90	1,651	272	5,005	88	91
Total expenses					201	215
Non-operating other revenue	(3)	(3)	(9)	(8)	19	3
Amortization of intangible assets	—	52	—	156		
Total expenses	189	2,790	602	7,783		
Income from discontinued operations before income tax expense	122	843	339	3,150	191	107
Income tax expense	—	13	—	39	—	—
Income from discontinued operations, net of taxes	$ 122	$ 830	$ 339	$ 3,111	$ 191	$ 107

For the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, all of the pre-tax income from discontinued operations disclosed in the table above iof $0.1 million and $0.7 million, respectively, wass attributable to the controlling interest ($0.3 million and $2.5 million for the nine months ended September 30, 2023 and September 30, 2022, respectively).

The carrying amounts of the major classes of assets and liabilities of Leased Real Estate presented as held for sale at September 30, 2023 March 31, 2024 and December 31, 2022 2023 are as follows:

(in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets				
Cash and cash equivalents	$ 555	$ 570	$ 526	$ 612
Other receivables, net			61	—
Property and equipment, net	16,171	16,160	16,171	16,171
Intangible assets, net	2,748	2,748	2,748	2,748
Loss on write-down of disposal group			(2,197)	(1,779)
Assets held for sale	$ 19,474	$ 19,478	$ 17,309	$ 17,752
Liabilities				
Accrued expenses and other liabilities	$ 734	$ 473	$ 905	$ 885
Notes payable	15,476	16,112	15,031	15,229

Liabilities held for sale	$ 16,210	$ 16,585	$ 15,936	$ 16,114

Loss on disposal of discontinued operations, net of taxes, related to Leased Real Estate, in the unaudited consolidated statement of operations for the three months ended March 31, 2024 is comprised of $0.4 million of loss on disposal of discontinued operations before income tax benefit and income tax benefit of zero.

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 was $2.5 million. Per the purchase agreement, a security interest on the Company's equity interest in its consolidated subsidiary, Net Lease Investment Grade Portfolio LLC ("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 at September 30, 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, net of taxes in the unaudited consolidated statement of operations for the three and nine months ended September 30, 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. The Company has no remaining exposure with respect to the open claims.

NOTE 6 INVESTMENTS

The amortized cost, gross unrealized gains and losses included in accumulated other comprehensive (loss) income, loss,and estimated fair value of the Company's available-for-sale investments at September 30, 2023 March 31, 2024 and December 31, 2022 2023 are summarized in the tables shown below:

(in thousands)	September 30, 2023				March 31, 2024			
	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	$ 13,500	$ —	$ 596	$ 12,904	$ 13,747	$ —	$ 408	$ 13,339
States, municipalities and political subdivisions	2,982	—	162	2,820	2,887	—	109	2,778
Mortgage-backed	9,363	—	732	8,631	9,579	8	511	9,076
Asset-backed	1,410	—	60	1,350	1,485	—	41	1,444
Corporate	11,047	—	937	10,110	10,597	7	656	9,948
Total fixed maturities	$ 38,302	$ —	$ 2,487	$ 35,815	$ 38,295	$ 15	$ 1,725	$ 36,585

(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

The table below summarizes the Company's fixed maturities at September 30, 2023March 31, 2024 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)	September 30, 2023		March 31, 2024	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 6,273	$ 6,175	$ 8,250	$ 8,102
Due after one year through five years	25,670	23,991	24,004	22,906
Due after five years through ten years	1,363	1,213	1,353	1,274
Due after ten years	4,996	4,436	4,688	4,303
Total	$ 38,302	$ 35,815	$ 38,295	$ 36,585

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KINGSWAY FINANCIAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2023

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 September 30, 2023March 31, 2024 and December 31, 20222023. The tables segregate the holdings based on the period of time the investments have been continuously held in unrealized loss positions.

(in thousands)	September 30, 2023						March 31, 2024					
	Less than 12 Months		Greater than 12 Months		Total		Less than 12 Months		Greater than 12 Months		Total	
	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss	Estimated Fair Value	Unrealized Loss
Fixed maturities:												
U.S. government, government agencies and authorities	$ 3,911	$ 55	$ 8,993	$ 541	$ 12,904	$ 596	$ 4,960	$ 70	$ 8,378	$ 338	$ 13,338	$ 408
States, municipalities and political subdivisions	400	6	2,320	156	2,720	162	434	2	2,344	107	2,778	109
Mortgage-backed	1,421	36	7,210	696	8,631	732	1,895	23	6,655	488	8,550	511
Asset-backed	61	1	1,192	59	1,253	60	365	1	981	40	1,346	41
Corporate	1,205	25	8,880	912	10,085	937	1,031	12	7,790	644	8,821	656
Total fixed maturities	$ 6,998	$ 123	$ 28,595	$ 2,364	$ 35,593	$ 2,487	$ 8,685	$ 108	$ 26,148	$ 1,617	$ 34,833	$ 1,725

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KINGSWAY FINANCIAL SERVICES INC.

(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

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2024

(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

At September 30, March 31, 2024 and December 31, 2023, there are approximately 209 201 and 181 individual available-for-sale investments that were in unrealized loss positions, for which an allowance for credit losses had has 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 September 30, March 31, 2024 and 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 September 30, 2023 March 31, 2024.

At and December 31, 2022 2023, there are approximately 208 individual available-for-sale investments that were in unrealized loss positions. Prior to the adoption of ASU 2016-13, the Company performed an analysis of the individual investments to determine if declines in market value were other-than-temporary. See the "Significant Accounting Policies and Critical Estimates" section of Management's Discussion and Analysis of Financial Condition included in the 2022 Annual Report for further information regarding the Company's detailed analysis and factors considered in establishing an other-than-temporary impairment on an investment. The Company reviewed currently available information regarding investments 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 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 those investments before recovery of its amortized cost. . .

The Company did not record any write-downs for impairment related to available-for-sale fixed maturity investments for the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

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

Limited liability investments include investments in limited liability companies and limited partnerships. The Company's interests in these investments 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. As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, the carrying value of limited liability investments totaled $0.8 million and $1.0 million, respectively. million. The Company recorded no impairments related to limited liability investments of $0.1 million during the three and nine months ended September 30, 2023(zero for the three March 31, 2024 and nine March 31, 2023 months ended September 30, 2022), which are included in impairment losses in the consolidated statements of operations. 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 in the consolidated statements of operations. At September 30, 2023 March 31, 2024, the Company had no unfunded commitments related to limited liability investments.

Limited liability investments, investment, at fair value represents the underlying investments of the Company's consolidated entities Net Lease and entity Argo Holdings Fund I, LLC ("Argo Holdings"). As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, the carrying value of the Company's limited liability investments, investment, at fair value was $3.6 million and $17.1 million, respectively. The Company recorded impairments related to limited liability investments, at fair value of zero and $0.1 million during the three and ninemonths ended September 30, 2023, respectively (zero and less than $0.1 million for the three and nine months ended September 30, 2022), which are included in gain on change in fair value of limited liability investments, at fair value in the consolidated statements of operations. 3.5 million. At September 30, 2023 March 31, 2024, the Company had no unfunded commitments to fund limited liability investments, at fair value.

The Company consolidates the financial statements of Net Lease on a three-month lag. Net Lease owned investments in limited liability companies that held investment properties. During the fourth quarter of 2022,one of Net Lease's limited liability companies refinanced their existing debt. Debt proceeds of $5.2 million were distributed to Net Lease, which decreased Net Lease's investment in the limited liability company, which the Company recorded during the first quarter of 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. Given the three-month reporting lag discussed above, the Company recorded this transaction in its second quarter 2023 financial statements. 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 September 30, 2023.

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. The Company's investments in private companies do not have readily determinable fair values. The Company has elected to record investments in private companies at cost, adjusted for observable price changes and impairments. As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, the carrying value of the Company's investments in private companies totaled $0.9 million and $0.8 million, respectively. . For each of the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, the Company recorded did not record any adjustments of $0.1 million and zero, respectively, to increase the fair value of certain its investments in private companies for observable price changes, which are included in unrealized gain on private company investments in the consolidated statements of operations. changes.

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 three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

Net investment income for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 is comprised as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Investment income:						
Interest from fixed maturities	$ 264	$ 153	$ 736	$ 363	$ 312	$ 229
Dividends	11	42	85	106	12	60
(Loss) income from limited liability investments	(8)	(12)	(41)	275		
Income from limited liability investments, at fair value	—	—	—	4		
Income from real estate investments	—	200	—	600		

Loss from limited liability investments					(60)	(34)
Other	106	110	728	280	93	520
Gross investment income	373	493	1,508	1,628	357	775
Investment expenses	(22)	(30)	(89)	(81)	(31)	(37)
Net investment income	$ 351	$ 463	$ 1,419	$ 1,547	$ 326	$ 738

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Gross KINGSWAY FINANCIAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2024

Net realized gains and losses on available-for-sale investments investments for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 are comprised as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Available-for-sale fixed maturities:						
Gross realized gains	$ 7	$ —	$ 9	$ 1	$ —	$ 2
Gross realized losses	(7)	(2)	(7)	(23)	—	—
Net	$ —	$ (2)	$ 2	$ (22)		
Net realized gains on available-for-sale fixed maturities					—	2
Limited liability investments					—	98
Limited liability investments, at fair value					115	110
Investments in private companies					9	—
Net realized gains					$ 124	$ 210

Net (loss) gain (loss) on equity investments for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 is comprised as follows:

(in thousands)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net gains recognized on equity investments sold during the period	$ 3,322	$ —	$ 3,322	$ —
Change in net unrealized (losses) gains recognized on equity investments held at end of the period	(2,730)	(5)	52	(53)
Net gain (loss) on equity investments	$ 592	$ (5)	$ 3,374	$ (53)

(in thousands)	Three months ended March 31,	
	2024	2023
Net losses recognized on equity investments sold during the period	$ (3)	$ —
Change in net unrealized gains recognized on equity investments held at end of the period	—	1,075
Net (loss) gain on equity investments	$ (3)	$ 1,075

Prior 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 investment in Limbach. nine months ended September 30, 2023.

NOTE 7 GOODWILL

The following table summarizes the goodwill activity for the nine three months ended September 30, 2023 March 31, 2024:

(in thousands)	Extended Warranty	Kingsway Search Xcelerator	Corporate	Total
Balance, December 31, 2022	$ 31,153	$ 13,613	$ 732	$ 45,498
Acquisition	—	911	—	911
Measurement period adjustment	—	(10)	—	(10)
Balance, September 30, 2023	$ 31,153	$ 14,514	$ 732	$ 46,399

(in thousands)	Extended Warranty	Kingsway Search Xcelerator	Corporate	Total
Balance, December 31, 2023	$ 31,153	$ 18,473	$ 732	$ 50,358
Measurement period adjustments	—	94	—	94
Balance, March 31, 2024	$ 31,153	$ 18,567	$ 732	$ 50,452

As further discussed in Note 5, "Acquisitions, Disposal "Acquisitions and Discontinued Operations," during the third quarter of 2023 the Company recorded goodwill of $0.9 million related to the acquisition of SPI on September 7, 2023. The goodwill related to this acquisition is provisional and subject to adjustment during the measurement period. The Company expects to complete its purchase price allocation during thefourth quarter of 2023. The estimates, allocations and calculations recorded at September 30, 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 in Note 5, "Acquisitions, Disposal and Discontinued Operations," during the first quarter of 2023 2024, the Company settled the working capital true-up, recorded measurement period adjustments, related to the acquisition acquisitions of CSuite, SPI and DDI, that decreased increased goodwill by 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. No goodwill impairment charges were recorded during the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

NOTE 8 INTANGIBLE ASSETS

Intangible assets at September 30, 2023 March 31, 2024 and December 31, 2022 2023 are comprised as follows:

(in thousands)	September 30, 2023			March 31, 2024			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment Losses	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	33,642	17,875	15,767	39,942	20,920	—	19,022

Developed technology	600	7	593	600	34	—	566
Intangible assets not subject to amortization:							
Trade names	14,457	—	14,457	14,667	—	511	14,156
Total	$ 57,297	$ 26,480	$ 30,817	$ 63,807	$ 29,552	$ 511	$ 33,744

(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

As further discussed in Note 5, "Acquisitions, Disposal and Discontinued Operations," during the third quarter of 2023, the Company recorded $2.0 million of separately identifiable intangible assets, related to acquired customer relationships, developed technology and trade name, as part of the acquisition of SPI on September 7, 2023. The customer relationships intangible asset of $1.2 million and the developed technology intangible asset of $0.6 million are being amortized over twelve and ten years, respectively, based on the pattern in which the economic benefits of the intangible asset are expected to be consumed. The trade name intangible asset of $0.2 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 during thefourth quarter of 2023. The estimates, allocations and calculations recorded at September 30, 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.

(in thousands)	December 31, 2023		
	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	39,942	19,521	20,421
Developed technology	600	18	582
Intangible assets not subject to amortization:			
Trade names	14,667	—	14,667
Total	$ 63,807	$ 28,137	$ 35,670

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 $1.4 million for each of the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 ($4.3 million and $4.2 million for the ninemonths ended September 30, March 31, 2023 and September 30, 2022, respectively). respectively.

The trade names intangible assets have indefinite useful lives and are not amortized. No impairment charges were recorded during the three and nine months ended September 30, 2023 and September 30, 2022.

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.

As of At November 30, 2022, March 31, 2024the 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 upon this assessment, the results Company recorded an impairment charge of $0.5 million related to the SNS and CSuite indefinite-lived trade names. The fair value of the quantitative approach, the estimated fair values of the SNS and CSuite trade names exceeded their respective carrying values; therefore, was estimated using the Company did relief-from-royalty method. The significant unobservable inputs used in the relief-from-royalty method, which are level not 3 record any impairment. However, the Company notes that certain of its indefinite-lived intangible assets are sensitive inputs, include a royalty rate and discount rate. The reduction in value is primarily due to changes in interest higher discount rates and a continued increase reduction in rates could cause certain assets to become impaired. projected revenue. No impairment charges were recorded during the three months ended March 31, 2023.

NOTE 9 PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2023 March 31, 2024 and December 31, 2022 2023 are comprised as follows:

(in thousands)	September 30, 2023			March 31, 2024		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Leasehold improvements	418	205	213	585	265	320
Furniture and equipment	281	240	41	291	258	33
Computer hardware	1,002	617	385	1,111	706	405
Medical equipment				1,212	56	1,156
Total	$ 1,701	$ 1,062	$ 639	$ 3,199	$ 1,285	$ 1,914

(in thousands)	December 31, 2022			December 31, 2023		
	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

For each of the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, depreciation expense on property and equipment o f $0.1 million ($0.2 million for each of the nine months ended September 30, 2023 and September 30, 2022, respectively) , is included in general and administrative expenses in the unaudited consolidated statements of operations.

As explained in Note 5, " Acquisitions and Discontinued Operations ," the estimated fair value of the fixed assets from the DDI acquisition (i.e. medical equipment) are subject to change as we obtain further information; therefore, the final fair value could change from the estimate included in these consolidated financial statements (which could also impact the amount of depreciation recorded).

NOTE 10 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 11, "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. On February 29, 2024. 2024, the interest rate swap matured and the Company did not enter into any additional interest rate swap agreement upon its expiration.

The purpose of this interest rate swap, which is was not designated as a cash flow hedge, is was 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 had not elected hedge accounting for the interest rate swap. The interest rate swap is was recorded in the consolidated balance sheets at fair value with changes in fair value recorded in the consolidated statements of operations. The notional amount of the interest rate swap contract is $7.3 million at September 30, 2023. At September 30, 2023 and December 31, 2022, the fair value of the interest rate swap contract was an asset of $0.1 million and $0.3 million, respectively, which is included in other receivables in the consolidated balance sheets. During the three and nine months ended September 30, 2023, the Company recognized a loss of $0.1 million and $0.2 million, respectively (a gain of $0.1 million and $0.4 million for the three and nine months ended September 30, 2022, respectively), related to the change in fair value of the interest rate swap, which is included in interest expense in the unaudited consolidated statements of operations and within cash flows from operating activities in the unaudited consolidated statements of cash flows. Net cash receipts of $0.1 million and $0.2 million were made to the Company during the three and nine months ended September 30, 2023, respectively (net cash receipts of less than $0.1 million during each of the three and nine months ended September 30, 2022), to settle a portion of the liabilities related to the interest rate swap agreement. These net cash receipts are reflected as cash inflows or outflows in the unaudited consolidated statements of cash flows within net cash (used in) provided by operating activities.

(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 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 agreed that any repurchase made 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 continued to accrue. However, with respect to TruPs that were repurchased prior to the May Termination Date, the amount of interest accrued during the term of the agreement was treated as an offset and reduced the repurchase price for such TruPs. The Company had no obligation to pay any such accrued interest with respect to any of the TruPs that were repurchased prior to the May Termination Date.

The Company paid approximately $2.0 million to the holder for this option and the Company had until the May Termination Date to execute the repurchases. Given the Company repurchased an amount equal to or greater than $30.0 million, the $2.0 million paid was applied to the repurchases.

On September 20, 2022, the Company entered into an additional agreement with the same party to the August 2, 2022 agreement that 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 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 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 continued to accrue. However, with respect to TruPs that were repurchased prior to the May Termination Date, the amount of interest accrued during the term of the agreement was treated as an offset and reduce the repurchase price for such TruPs. The Company had no obligation to pay any such accrued interest with respect to the TruPs that were repurchased prior to the May Termination Date.

The Company paid approximately $0.3 million to the holder for this option and the Company had until the May Termination Date to execute the repurchase. Given the Company repurchased the TruPs, the $0.3 million paid was applied to the repurchases.

In February 2023, the Company 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 principal. On March 22, 2023, the Company completed the repurchases. See Note 11, "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 were recorded in the consolidated balance sheet at December 31, 2022 at fair value with changes in fair value recorded in the unaudited consolidated statements of operations. operations. See Note 21 20, "Fair "Fair Value of Financial Instruments," for further discussion.

At December 31, 2022, the fair value of the TruPs Options contracts was $19.0 million, which is included in other assets in the consolidated balance sheet. During the nine three months ended September 30, March 31, 2023, the Company recognized a loss on change in fair value of the TruPs Options contracts o contractf s of $1.4 million,which is included in loss on change in fair value of derivative asset option contracts in the unaudited consolidated statement of operations and as an adjustment to calculate cash flows provided by (used in) provided by operating activities in the unaudited consolidated statement of cash flows. Cash payments of $56.5 million were made to repurchase the TruPs during the nine three months ended September 30, March 31, 2023 with respect to the TruPs Options contracts.

NOTE 11 DEBT

Debt consists of the following instruments at September 30, 2023 March 31, 2024 and December 31, 2022 2023:

(in thousands)	September 30, 2023			December 31, 2022			March 31, 2024			December 31, 2023		
	Principal	Carrying Value	Fair Value	Principal	Carrying Value	Fair Value	Principal	Carrying Value	Fair Value	Principal	Carrying Value	Fair Value
Bank loan:												
2021 Ravix Loan	$ 4,850	$ 4,850	$ 4,949	$ 5,300	$ 5,300	$ 5,460	$ 4,425	$ 4,425	$ 4,505	$ 4,650	$ 4,650	$ 4,811
2022 Ravix Loan	5,075	4,908	5,274	5,950	5,754	6,245	4,775	4,628	5,034	4,925	4,769	5,027
SNS Loan	6,000	5,917	6,236	6,850	6,755	6,921	5,017	4,942	5,245	5,142	5,063	5,243
DDI Loan							5,600	5,537	5,604	5,600	5,534	5,841
2020 KWH Loan	12,831	12,637	12,974	16,708	16,472	16,819	14,052	13,878	14,458	10,979	10,806	11,240
Total bank loans	28,756	28,312	29,433	34,808	34,281	35,445	33,869	33,410	34,846	31,296	30,822	32,162
Subordinated debt	15,000	12,624	12,624	90,500	67,811	67,811	15,000	13,651	13,651	15,000	13,594	13,594
Total	$ 43,756	$ 40,936	$ 42,057	$ 125,308	$ 102,092	$ 103,256	$ 48,869	$ 47,061	$ 48,497	$ 46,296	$ 44,416	$ 45,756

Subordinated debt mentioned above consists of the following trust preferred debt instrument at September 30, March 31, 2024 and 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 LIBOR, 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 Group, Inc. ("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 Pr ime Rate plus 0.5%, or 3.75%. At September 30, 2023 March 31, 2024, the interest rate was 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). 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 sheets at its unpaid principal balance.

Subsequent to the acquisition of CSuite Financial Partners, LLC ("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 September 30, 2023 March 31, 2024, the interest rate was 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 September 30, 2023 March 31, 2024 and December 31, 2022 2023, the balance of the 2022 Revolver was zero. 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 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 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 of Secure Nursing Service, Inc. on November November 18,2022,the Company formed Secure Nursing Service LLC ("SNS"), 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"). The SNS Loan has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 5.00%. At September 30, 2023 March 31, 2024, the interest rate was 9.00%. Monthly principal payments on the term loan begin began on November 15, 2023. The revolver matures on November 18, 2023 May 2, 2025 and the term loan matures on November 18, 2028. During 2022, SNS borrowed under the revolver. During the second quarter of 2023, SNS repaid the amount borrowed under the revolver. During the third quarter of 2023, SNS made an early principal payment on the term loan. The carrying values at September 30, 2023 March 31, 2024 and December 31, 2022 2023 for the SNS Loan includes $5.9 $4.7 million and $6.4 $5.1 million, respectively, related to the term loan and zero $0.2 million and $0.4 million, zero, respectively, 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 principal payments as well as the 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. At March 31, 2024 SNS is in default under the SNS Loan due to debt covenant violations related to the leverage and fixed charge ratios. The Company has received an amendment to the SNS Loan that waives the events of default for the fiscal quarter ended March 31, 2024. As of the report date, there is some uncertainty as to whether the Company will be in compliance with the covenants in future periods, and if not, when the Company will be able to cure any potential violations. A default may permit the lender to declare the amounts owed under the SNS Loan immediately due and payable, exercise their rights with respect to collateral securing the obligation, and/or exercise any other rights and remedies available.

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%. At March 31, 2024, 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 values at each of March 31, 2024 and December 31, 2023 for the DDI Loan includes $5.5 million 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 of B 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 subsidiaries include IWS Acquisition Corporation ("IWS"), Geminus Holdings Company, Inc. ("Geminus") and Trinity Warranty Solutions LLC ("Trinity"). As part of the acquisition of PWI Holdings, Inc. ("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 has 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 SOFR, having a floor of 0.75%, plus spreads ranging from 2.62% to 3.12%. At September 30, 2023 March 31, 2024, the interest rate was 8.20%. The 2020 KWH Loan matures on December 1, 2025.

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 $2.0 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. During the three months ended March 31, 2024, the Company borrowed $3.5 million under the KWH DDTL and $0.5 million under the KWH Loan revolver.

The carrying values at September 30, 2023 March 31, 2024 and December 31, 2022 2023 includ includes $12.1 $12.9million and $16.0and $10.3 million, respectively, related to the term loan and $0.5 $1.0 million and $0.5 million, respectively, related to 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 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 $2.0 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. The Company did not draw down on the KWH DDTL during the nine months ended September 30, 2023.

(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 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 floating rate debentures was 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 21 20, "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) income.

Of the $0.1 million increase in fair value of the Company's subordinated debt between December 31, 2023 and March 31, 2024, less than $0.1 million is reported as decrease in fair value of debt attributable to instrument-specific credit risk in the Company's unaudited 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 unaudited consolidated statement of operations.

In February 2023, the Company entered into amendments to the trust preferred option repurchase agreements described in Note 10, "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$31.6 million, which is included in gain on extinguishment of debt in the unaudited consolidated statement of operations for the nine three months ended September 30, March 31, 2023. At September 30, 2023 March 31, 2024, the Company had $15.0 million of principal outstanding related to the remaining trust preferred debt instrument.

The $55.2 milli on decrease in the Company's subordinated debt between December 31, 2022 and September 30, 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 $1.2 million related to the change in fair value of the remaining trust preferred debt instrument between December 31, 2022 and September 30, 2023.

Of the $0.9 million increase in fair value of the Company's subordinated debt between December 31, 2022 and September 30, 2023, $0.7 million is reported as increase in fair value of debt attributable to instrument-specific credit risk in the Company's unaudited consolidated statements of comprehensive (loss) income and $0.2 million is reported as loss on change in fair value of debt in the Company's unaudited consolidated statement of operations.

The unaudited consolidated statements of comprehensive (loss) income for the nine three months ended September 30, March 31, 2023 also includes a reclassification adjustment of$27.2 $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 TruPs 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 September 30, 2023 and December 31, 2022, deferred interest payable of zero and$25.5 million, respectively, is included in accrued expenses and other liabilities in the consolidated balance sheet.

The agreement governing the remaining subordinated debt contains 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 12 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 three months ended September 30, 2023 March 31, 2024 were $0.1 million and $0.1 million, respectively ($0.3 million and $0.1 million, respectively, for the nine months ended September 30, 2023). respectively. Operating lease costs and variable lease costs included in general and administrative expenses for the three months ended September 30, 2022 March 31, 2023 were $0.2 $0.1 million and less than $0.1 million, respectively ($0.7 million and $0.1 million, respectively, for the nine months ended September 30, 2022). Short-term lease costs included in general and administrative expenses for each of the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 were less than $0.1 million($0.1 million and less than $0.1 million for the nine months ended September 30, 2023 and September 30, 2022, respectively).

The annual maturities of lease liabilities as of September 30, 2023 March 31, 2024 were as follows:

(in thousands)	Lease Commitments	Lease Commitments
2023	$ 124	
2024	442	$ 396
2025	283	436
2026	220	334
2027	162	257
2028 and thereafter	79	
2028		172
2029 and thereafter		47
Total undiscounted lease payments	1,310	1,642
Imputed interest	140	186
Total lease liabilities	$ 1,170	$ 1,456

The weighted-average remaining lease term for our operating leases was 3.66 3.76 years as of September 30, 2023 March 31, 2024. The weighted-average discount rate of our operating leases was 5.99% 6.14% as of September 30, 2023 March 31, 2024. Cash paid for amounts included in the measurement of lease liabilities was $0.3 $0.2 million and $0.6 $0.1 million for the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, respectively.

NOTE 13 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, 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. Revenue is based on terms of various agreements with credit unions, consumers businesses and homebuilders. businesses. 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)		Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Vehicle service agreement fees and GAP commissions	IWS, Geminus and PWI	$ 14,897	$ 15,046	$ 44,766	$ 43,181
Maintenance support service fees	Trinity	1,320	1,555	3,204	4,747
Warranty product commissions	Trinity	1,037	1,264	2,998	3,492
Homebuilder warranty service fees	PWSC (a)	—	621	—	4,348
Homebuilder warranty commissions	PWSC (a)	—	92	—	540
Business services consulting fees	Ravix, CSuite and SNS	7,364	3,818	26,236	12,134
Other service fees		172	—	172	—
Service fee and commission revenue		$ 24,790	$ 22,396	$ 77,376	$ 68,442

(a) The Company disposed of PWSC on July 29, 2022

(in thousands)		Three months ended March 31,	
		2024	2023
Vehicle service agreement fees and GAP commissions	IWS, Geminus and PWI	$ 14,982	$ 14,835
Maintenance support service fees	Trinity	$ 763	954
Warranty product commissions	Trinity	939	882
Business services consulting fees	Ravix and Csuite	4,550	5,344
Healthcare services fees	SNS and DDI	4,226	4,374
Software license and support fees	SPI	700	—
Service fee and commission revenue		$ 26,160	$ 26,389

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 averaged 9%averaged 5.9% to 13% of11.7% 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 in 2022 include fees collected from the sale of warranties issued by new homebuilders. The Company received a single warranty service fee as its transaction price at the time it entered into a written contract with each of its builder customers. Each contract contained 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.

Homebuilder warranty commissions in 2022 include commissions from the sale of warranty contracts for those builders who have requested and receive insurance backing of their warranty obligations. The Company acted as an agent on behalf of the third-party insurance company that underwrites and guaranties these warranty contracts. Homebuilder warranty commissions were 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 earned fees to manage remediation or repair services related to claims on insurance-backed warranty obligations, which were earned when the claims are closed.

Business services 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.

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. Software support revenue is recognized ratably over the contract period as services are rendered.

The Company's revenue recognition policies are further described in Note 2(p), "Summary of Significant Accounting Policies - Revenue recognition," to the consolidated financial statements in the 2022 2023 Annual Report.

During the

first 20 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 September 30, 2023 March 31, 2024 and December 31, 2022 2023 were $9.4 10.5 million and $10.3 10.1 million, respectively. The decrease increase in receivables from contracts with customers is primarily due to the timing difference between the Company's satisfaction of performance obligations and customer payments.

Service fee receivable is reported net of an estimated allowance for credit losses. During the three andnine months ended September 30, March 31, 2024 and March 31, 2023, the Company recorded an increase to its allowance for credit losses of $0.1million and $0.2 less than $0.1 million, respectively. 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 The Company recorded write-offs of service fee receivable receivables that were deemed to be uncollectible of $0.1 million and less than $0.1 million during the three months ended March 31, 2024 and March 31, 2023, respectively.

Contract asset

The Company records a contract asset 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 had no contract asset prior to the acquisition of SPI on September 7, 2023. The contract asset is included in other assets in the consolidated balance sheets, and at at March 31, 2024 and December 31, 2023was $1.6 million and 1.7 million, respectively. The decrease in the contract asset is primarily due to a measurement period adjustment recorded during the first quarter of 2024 to decrease the contract asset related to SPI by $0.1 million, as further discussed in Note 5, "Acquisitions and Discontinued Operations ". During the three months ended March 31, 2024, the Company recorded additions to the contract asset of $0.1 million and reduced the contract asset by $0.1 million as a result of billings to customers.

Contract asset is reported net of an estimated allowance for credit losses. During the three months ended March 31, 2024, the Company recorded an increase to its allowance for credit losses of less than $0.1 million. Contract assets that are deemed to be uncollectible are written off against the allowance for credit losses when identified. The Company recorded no write-offs of contract asset that were deemed to be uncollectible during the three andnine months ended September 30, 2023 March 31, 2024.

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 nine three months ended September 30, 2023 March 31, 2024 were as follows:

(in thousands)	Nine Months Ended September 30, 2023	Three Months Ended March 31, 2024
Balance, December 31, 2022	$ 82,713	
Balance, December 31, 2023		$ 83,995
Deferral of revenue	43,891	15,409
Recognition of deferred service fees	(44,290)	(15,402)
Balance, September 30, 2023	$ 82,314	
Balance, March 31, 2024		$ 84,002

The decrease increase in deferred service fees between December 31, 2022 2023 and September 30, 2023 March 31, 2024 is primarily due to deferred service fees recognized in excess of additions to deferred service fees in excess of deferred service fees recognized during the nine three months ended September 30, 2023 March 31, 2024. Approximately $12.6 million and $12.5 million of service fee and commission revenue recognized during the three months ended March 31, 2024 and March 31, 2023 was included in deferred service fees as of December 31, 2023 and December 31, 2022, respectively.

Remaining performance obligations

The Company expects to recognize within one year as service fee and commission revenue approximately 47.3% 50.7% of the deferred service fees outstanding performance obligations as of September 30, 2023 March 31, 2024. Approximately $32.9 million and $32.6 million of The balance relates primarily to vehicle service fee and commission revenue recognized during the nine months ended September 30, 2023 and September 30, 2022 was included in deferred service fees as of December 31, 2022 and December 31, 2021, respectively. agreement fees.

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 unaudited consolidated statements of operations. No impairment charges related to deferred contract costs were recorded during the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

The deferred contract costs balances and related amortization expense for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 are comprised as follows:

(in thousands)	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Costs to Obtain a Contract	Costs to Fulfill a Contract	Total	Costs to Obtain a Contract	Costs to Fulfill a Contract	Total
Balance at June 30, net	$ 13,709	$ 83	$ 13,792	$ 12,535	$ 82	$ 12,617
Additions	2,473	6	2,479	2,389	5	2,394
Amortization	(2,373)	(6)	(2,379)	(1,943)	(3)	(1,946)
Balance at September 30, net	$ 13,809	$ 83	$ 13,892	$ 12,981	$ 84	$ 13,065

The deferred contract costs balances and related amortization expense for thenine months ended September 30, 2023 and September 30, 2022 are comprised as follows:

(in thousands)	Nine months ended September 30, 2023			Nine months ended September 30, 2022			Three months ended March 31, 2024			Three months ended March 31, 2023		
	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 December 31, net	$ 13,174	$ 83	$ 13,257	$ 10,850	$ 80	$ 10,930	$ 13,653	$ 81	$ 13,734	$ 13,174	$ 83	$ 13,257
Additions	7,293	19	7,312	7,233	16	7,249	2,337	7	2,344	2,336	7	2,343
Amortization	(6,658)	(19)	(6,677)	(5,102)	(12)	(5,114)	(2,277)	(8)	(2,285)	(2,109)	(7)	(2,116)
Balance at September 30, net	$ 13,809	$ 83	$ 13,892	$ 12,981	$ 84	$ 13,065						
Balance at March 31, net							$ 13,713	$ 80	$ 13,793	$ 13,401	$ 83	$ 13,484

NOTE 14 INCOME TAXES

Income tax (benefit) expense for the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 varies from the amount that would result by applying the applicable U.S. federal corporate income tax rate of 21% to (loss) income from continuing operations before income tax (benefit) expense. The following table summarizes the differences:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Income tax expense (benefit) at U. S. statutory income tax rate	$ (187)	$ 9,450	$ 5,456	$ 7,856		
Income tax (benefit) expense at U. S. statutory income tax rate					$ (426)	$ 5,981
Valuation allowance	(212)	(9,609)	(5,876)	(9,140)	539	(5,904)

Non-deductible compensation	166	695	232	763		
Compensation					(120)	29
Investment income	(54)	(161)	29	(172)	(15)	18
State income tax	80	2,488	690	2,683	91	489
Indefinite life intangibles	59	(78)	198	29	(48)	80
Disposition of subsidiary	18	3,267	18	3,267		
Contingent consideration	—	4	14	319	57	—
Other	28	5	49	15	6	6
Income tax expense	$ (102)	$ 6,061	$ 810	$ 5,620	$ 84	$ 699

The Company maintains a valuation allowance for its gross deferred tax assets at September 30, 2023 March 31, 2024 and December 31, 2022 2023. The Company's operations 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 September 30, 2023 March 31, 2024 and December 31, 2022 2023 net deferred tax asset, excluding the deferred income tax liability amounts set forth in the paragraph below which were determined to not reverse and offset existing deferred tax assets. For each of the three months ended September 30, 2023 and September 30, 2022, the Company released into income $0.3 million ($0.3 million and $0.8 million for thenine months ended September 30, 2023 and September 30, 2022, respectively), of its valuation allowance associated with business interest expense carryforwards with an indefinite life and deferred tax liabilities from acquisitions.

The Company carries net deferred income tax liabilities of $4.5 5.0 million and $4.2 5.0 million at September 30, 2023 March 31, 2024 and December 31, 2022 2023, respectively, that consists of:

- $4.0 4.1 million and $3.8 million of deferred income tax liabilities related to indefinite lived intangible assets; and
- $0.5 million and $0.4 0.9 million of deferred state income tax liabilities.

As of September 30, 2023 March 31, 2024 and December 31, 2022 2023, the Company carried a liability for unrecognized tax benefits of zero. zero. The Company classifies interest and penalty accruals, if any, related to unrecognized tax benefits as income tax expense. The Company recorded income tax expense of zero and less than $0.1 million related to interest and penalty accruals for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively (zero and $0.1 million for thenine months ended September 30, March 31, 2023 and September 30, 2022, respectively).

NOTE 15 (LOSS) EARNINGS PER SHARE

The following table sets forth the reconciliation of numerators and denominators for the basic and diluted (loss) earnings per share computation for the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Numerator:						
(Loss) income from continuing operations	$ (797)	$ 38,943	$ 25,158	$ 31,793	$ (2,115)	$ 27,732
(Less) plus: net (income) loss from continuing operations attributable to noncontrolling interests	(351)	1,191	(121)	1,084	(157)	3

Less: dividends on preferred stock	—	(77)	(74)	(234)	—	(69)
Numerator used in calculating basic (loss) earnings per share from continuing operations attributable to common shareholders	$ (1,148)	$ 40,057	$ 24,963	$ 32,643	$ (2,272)	$ 27,666
Adjustment to add-back dividends on preferred stock	—	77	74	234	—	69
Adjustment for proportionate interest in Ravix, SNS and SPI's earnings attributable to common stock	—	(23)	(77)	51	—	(50)
Numerator used in calculating diluted (loss) earnings per share from continuing operations attributable to common shareholders	$ (1,148)	$ 40,111	$ 24,960	$ 32,928	$ (2,272)	$ 27,685
Income (loss) from discontinued operations	122	(1,670)	339	611		
Less: net income from discontinued operations attributable to noncontrolling interests	—	(124)	—	(469)		
(Loss) income from discontinued operations					(213)	107
Numerator used in calculating diluted (loss) earnings per share - net (loss) income attributable to common shareholders	$ (1,026)	$ 38,317	$ 25,299	$ 33,070	$ (2,485)	$ 27,792
Denominator:						
Weighted-average basic shares						
Weighted-average common shares outstanding	26,239	22,960	25,206	22,909	27,107	24,061
Weighted-average diluted shares						
Weighted-average common shares outstanding	26,239	22,960	25,206	22,909	27,107	24,061
Effect of potentially dilutive securities (a)						
Unvested restricted stock awards	—	641	735	560	—	789
Warrants	—	1,179	—	650	—	1,382
Convertible preferred stock	—	936	—	936	—	187
Total weighted-average diluted shares	26,239	25,716	25,941	25,055	27,107	26,419
Basic (loss) earnings attributable to common shareholders:						
Continuing operations	$ (0.04)	$ 1.75	$ 0.99	$ 1.42	$ (0.08)	$ 1.15
Discontinued operations	$ —	$ (0.08)	$ 0.01	$ 0.01	$ (0.01)	$ 0.00
Basic (loss) earnings per share - net (loss) income attributable to common shareholders:	$ (0.04)	$ 1.67	$ 1.00	$ 1.43	$ (0.09)	$ 1.15
Diluted (loss) earnings attributable to common shareholders:						
Continuing operations	$ (0.04)	$ 1.56	$ 0.96	$ 1.31	$ (0.08)	$ 1.05
Discontinued operations	$ —	$ (0.07)	$ 0.01	$ 0.01	$ (0.01)	$ 0.00
Diluted (loss) earnings per share - net (loss) income attributable to common shareholders	$ (0.04)	$ 1.49	$ 0.97	$ 1.32	$ (0.09)	$ 1.05

(a) Potentially dilutive securities consist of unvested restricted stock awards and warrants, calculated using the treasury stock method, and convertible preferred stock, using the if-converted method. Because the Company is reporting a loss from continuing operations attributable to common shareholders for the three months ended September 30, 2023 March 31, 2024, 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.

Basic (loss) earnings per share excludes dilution and is computed by dividing (loss) income attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted (loss) earnings 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 (loss) earnings 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 dilut ed (loss) earnings per share calculations above because they would have had an antidilutive effect on the (loss) earnings per share:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Unvested restricted stock awards	1,046,947	511,740	—	592,162	548,964	358,410
Warrants	—	—	—	—	—	—
Convertible preferred stock	—	—	—	—	—	—
Total	1,046,947	511,740	—	592,162	548,964	358,410

NOTE 16 STOCK-BASED COMPENSATION

(a) Restricted Stock Awards of the Company

Under the 2013 Equity Incentive 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 on March 28, 2024 2024. subject to the officer's continued employment through the vesting date. The 2018 Restricted Stock Award is was 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 September 30, 2023 March 31, 2024 was $0.2 zero million. .

Under the 2020 Equity Incentive Plan, the Company has granted restricted common stock awards to certain officers of the Company (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 date of grant. During the nine three months ended September 30, 2023 March 31, 2024, 100,000 no shares of the 2020 Plan Restricted Stock Awards became fully vested. Total unamortized compensation expense related to unvested 2020 Plan Restricted Stock Awards at September 30, 2023 March 31, 2024 was $2.5 2.4 million.

The following table summarizes the activity related to unvested 2020 Plan Restricted Stock Awards and 2018 Restricted Stock Award (collectively "Restricted Stock Awards") for the nine three months ended September 30, 2023 March 31, 2024:

	Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value (per Share)
Unvested at December 31, 2022	1,146,947	$ 5.19
Granted	—	—
Vested	(56,107)	4.65
Cancelled for Tax Withholding	(43,893)	4.65
Unvested at September 30, 2023	1,046,947	$ 5.24

	Number of Restricted Stock Awards	Weighted-Average Grant Date Fair Value (per Share)
Unvested at December 31, 2023	1,027,658	$ 5.22
Granted	21,306	8.39
Vested	(278,896)	5.73
Vested and settled for tax withholding	(221,104)	5.73
Unvested at March 31, 2024	548,964	$ 4.88

The unvested balance at September 30, 2023 March 31, 2024 in the table above is comprised of 546,947 548,964 shares of the 2020 Restricted Stock Awards and 500,000zero shares of the 2018 Restricted Stock Award.

Stock-based compensation expense related to the Restricted Stock Awards was $0.2 million for each of the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively ($0.7 million for each of thenine months ended September 30, March 31, 2023 and September 30, 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, "Acquisitions, 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 September 30, 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.

On February 20, 2022, both the service condition and performance condition of the Modified PWSC RSA and 2020 PWSC RSA became fully vested. At September 30, 2023 and December 31, 2022, there were zero unvested shares of both the Modified PWSC RSA and 2020 PWSC RSA.

Stock-based compensation expense related to the Restricted Stock Awards of PWSC was $2.7 million and $2.8 million for the three and ninemonths ended September 30, 2022, 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 units, representing one half of the service condition for the 2021 Ravix 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.

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 nine three months ended September 30, 2023 March 31, 2024, 15,625 5,208 units of the 2021 Ravix RUA became fully vested. At September 30, 2023 March 31, 2024 and December 31, 2022 2023, there were 75,736 65,320 and 91,361 70,528 unvested units, respectively, of the 2021 Ravix RUA with a weighted-average grant date fair value of $3.08 per Class B common unit. Total unamortized compensation expense related to unvested 2021 Ravix RUA at September 30, 2023 March 31, 2024 was $0.2 million.

Stock-based compensation expense related to the 2021 Ravix RUA was less than $0.1 million for each of the three months ended September 30, 2023 March 31, 2024 and September 30, 2022($0.1 million for each of thenine months ended September 30, March 31, 2023 and September 30, 2022).

(d) (c) **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 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 nine three months ended September 30, 2023 March 31, 2024, no 1,563 units of the SNS RUA vested. At September 30, 2023 March 31, 2024 and December 31, 2022 2023, there were 50,000 41,667 and 43,229 unvested units respectively, of the SNS RUA with a weighted-average grant date fair value of $5.95 $5.81 and $5.84 per Class B common unit. unit, respectively. Total unamortized compensation expense related to unvested SNS RUA at September 30, 2023 March 31, 2024 was$0.2 was $0.2 million.

Stock-based compensation expense related to the SNS RUA was less than $0.1 million and zero for each of the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively ($0.1 million and zero for the nine months ended September 30, March 31, 2023 and September 30, 2022, respectively).

(e) (d) **Restricted Common Unit Awards of SPI**

Vertical Market Solutions LLC, a subsidiary of the Company, grant ed granted 199,000 restricted restricted Class B common unit awards to an officer of SPI pursuant to an agreement dated September 7, 2023 ("SPI 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.

During the three months ended March 31, 2024, no units of the SPI RUA vested. At September 30, March 31, 2024 and December 31, 2023, there were 115,667 unvested 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 September 30, 2023 March 31, 2024 was $0.1 $0.1 million.

Stock-based compensation compensation expense related to the SPI RUA was $0.1 less than $0.1 million million and for each zero for the three months ended March 31, 2024and March 31, 2023, respectively.

(e) 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.

During the three months ended March 31, 2024, no units of the DDI RUA vested. At March 31, 2024 and 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 March 31, 2024 was $0.4 million.

Stock-based compensation expense related to the DDI RUA was less than $0.1 million and zero for the three months ended March 31, 2024and nine months ended September 30, March 31, 2023., respectively.

NOTE 17 REDEEMABLE CLASS A PREFERRED STOCK SHAREHOLDERS' EQUITY

On During the three months ended March 1, 31, 2023the Company notified the holders of its outstanding, 119,733 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 zero and 149,733 shares of Preferred Shares outstanding at September 30, 2023 and December 31, 2022, respectively. Each Preferred Share 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 the nine months ended September 30, 2023, 149,733 Preferred Shares were converted into 935,831 common shares, at the conversion price of $4.00 per common share, or $3.7 million, at the option of the holders.

NOTE 18 SHAREHOLDERS' EQUITY

As described in Note 17, "Redeemable Class A Preferred Stock", during the nine months ended September 30, 2023, 149,733 Preferred Shares were converted into 935,831 748,331 common shares. As a result, during the nine three months ended September 30, March 31, 2023, $4.9 $6.1million was reclassified from redeemable Class A preferred stock to additional paid-in capital on the consolidated balance sheet sheet. There are no Preferred Shares outstanding at March 31, 2024 and December 31, 2023.

On March 21, 2023, the 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. On March 22, 2024, the Company entered into a one year extension of its existing share repurchase program. As amended, the share repurchase program will now expire on March 21, 2025. 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 three and ninemonths ended September 30, March 31, 2024 and March 31, 2023, the Company repurchased in the aggregate, 628,587 8,000 and 1,193,557 zero shares, respectively, of common stock and warrants to purchase common stock for an aggregate purchase price of approximately $2.8 million approximately $0.1 million and $4.8 millionzero, respectively, respectively, 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 September 30, 2023 March 31, 2024.

The Company previously had warrants outstanding that expired on September 15, 2023. Prior to the expiration thereof, the warrants were recorded in shareholders' equity and entitled each subscriber to purchase one common share of Kingsway at an exercise price of $5.00 for each warrant. During the three and ninemonths ended September 30, March 31, 2023, warrants to purchase 2,019,720 and 3,331,661 shares 1,258,840 shares of common stock respectively, were exercised, resulting in cash proceeds of $10.1$6.3 million and $16.7 million, respectively. million. Any warrants there that were not exercised prior to the expiration date became null and void on the expiration date.

NOTE 19 18 ACCUMULATED OTHER COMPREHENSIVE INCOME LOSS

The tables below detail the change in the balance of each component of accumulated other comprehensive (loss) income, loss, net of tax, for the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 as relates to shareholders' equity attributable to common shareholders on the consolidated balance sheets.

(in thousands)	Three months ended September 30, 2023				Three months ended March 31, 2024			
	Unrealized Losses on Available-for-Sale Investments	Foreign Currency Translation Adjustments	Change in Fair Value of Debt Attributable to Instrument-Specific Credit Risk	Total Accumulated Other Comprehensive Loss	Unrealized Losses on Available-for-Sale Investments	Foreign Currency Translation Adjustments	Change in Fair Value of Debt Attributable to Instrument-Specific Credit Risk	Total Accumulated Other Comprehensive Loss
Balance at June 30, 2023	$ (2,326)	$ (3,286)	$ 4,354	$ (1,258)				
Balance at December 31, 2023					$ (1,596)	$ (3,286)	$ 3,342	$ (1,540)

Other comprehensive (loss) income arising during the period	(30)	—	84	54	(58)	—	23	(35)
Amounts reclassified from accumulated other comprehensive loss	(66)	—	—	(66)	(13)	—	—	(13)
Net current-period other comprehensive (loss) income	(96)	—	84	(12)	(71)	—	23	(48)
Balance at September 30, 2023	$ (2,422)	$ (3,286)	$ 4,438	$ (1,270)				
Balance at March 31, 2024					$ (1,667)	$ (3,286)	$ 3,365	$ (1,588)

(in thousands)	Three months ended September 30, 2022			
	Unrealized Gains (Losses) on Available-for-Sale Investments	Foreign Currency Translation Adjustments	Change in Fair Value of Debt Attributable to Instrument-Specific Credit Risk	Total Accumulated Other Comprehensive Income
Balance at June 30, 2022	$ (1,871)	$ (3,286)	$ 41,174	$ 36,017
Other comprehensive loss arising during the period	(834)	—	(3,226)	(4,060)
Amounts reclassified from accumulated other comprehensive income	3	—	—	3
Net current-period other comprehensive loss	(831)	—	(3,226)	(4,057)
Balance at September 30, 2022	$ (2,702)	$ (3,286)	$ 37,948	$ 31,960

(in thousands)	Three months ended March 31, 2023			
	Unrealized Gains (Losses) on Available-for-Sale Investments	Foreign Currency Translation Adjustments	Change in Fair Value of Debt Attributable to Instrument-Specific Credit Risk	Total Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2022	$ (2,464)	$ (3,286)	$ 32,355	$ 26,605
Other comprehensive income (loss) arising during the period	427	—	(427)	—
Amounts reclassified from accumulated other comprehensive income (loss)	(22)	—	(27,177)	(27,199)
Net current-period other comprehensive income (loss)	405	—	(27,604)	(27,199)
Balance at March 31, 2023	$ (2,059)	$ (3,286)	$ 4,751	$ (594)

(in thousands)	Nine months ended September 30, 2023			
	Unrealized Gains (Losses) on Available-for-Sale Investments	Foreign Currency Translation Adjustments	Change in Fair Value of Debt Attributable to Instrument-Specific Credit Risk	Total Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2023	$ (2,464)	$ (3,286)	$ 32,355	$ 26,605
Other comprehensive income (loss) arising during the period	164	—	(740)	(576)
Amounts reclassified from accumulated other comprehensive income (loss)	(122)	—	(27,177)	(27,299)
Net current-period other comprehensive income (loss)	42	—	(27,917)	(27,875)
Balance at September 30, 2023	$ (2,422)	$ (3,286)	$ 4,438	$ (1,270)

(in thousands)	Nine months ended September 30, 2022			
	Unrealized Gains (Losses) on Available-for-Sale Investments	Foreign Currency Translation Adjustments	Change in Fair Value of Debt Attributable to Instrument-Specific Credit Risk	Total Accumulated Other Comprehensive Income
Balance at January 1, 2022	$ (220)	$ (3,286)	$ 34,285	$ 30,779
Other comprehensive (loss) income arising during the period	(2,492)	—	3,663	1,171
Amounts reclassified from accumulated other comprehensive income	10	—	—	10
Net current-period other comprehensive (loss) income	(2,482)	—	3,663	1,181
Balance at September 30, 2022	$ (2,702)	$ (3,286)	$ 37,948	$ 31,960

It should be noted that the unaudited consolidated statements of comprehensive (loss) income present the components of other comprehensive (loss) income, loss, net of tax, only for the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 and inclusive of the components attributable to noncontrolling interests in consolidated subsidiaries.

Components of accumulated other comprehensive (loss) income loss were reclassified to the following lines of the unaudited consolidated statements of operations for the three and ninemonths ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Reclassification of accumulated other comprehensive income from unrealized gains (losses) on available-for-sale investments to:						
Net realized gains	$ 66	$ (3)	$ 122	$ (10)	$ 13	$ 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	—	—	27,177
(Loss) income from continuing operations before income tax (benefit) expense	66	(3)	27,299	(10)		

Income tax (benefit) expense	—	—	—	—		
(Loss) income from continuing operations before income tax expense					13	27,199
Income tax expense					—	—
(Loss) income from continuing operations, net of taxes	66	(3)	27,299	(10)	13	27,199
Income from discontinued operations, net of taxes	—	—	—	—	—	—
Net (loss) income	$ 66	$ (3)	$ 27,299	$ (10)	$ 13	$ 27,199

As further discussed in Note 11, "Debt,"Debt," during the first quarter of 2023, the Company completed the repurchases of five TruPs. The unaudited consolidated statements of comprehensive (loss) income for the nine three months ended September 30, March 31, 2023includes 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 portion of the repurchased TruPs.

NOTE 20 19 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, "Acquisitions, 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.

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KINGSWAY FINANCIAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2023

Extended Warranty Segment

Extended Warranty includes the following subsidiaries of the Company: IWS, Geminus, PW I PWSC and Trinity (collectively, "Extended Warranty"). As discussed in Note 5, "Acquisitions, Disposal and Discontinued Operations," the Company disposed of PWSC on July 29, 2022. The earnings of PWSC are included in the unaudited interim 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 states and the District of Columbia to their members, with customers in all fifty states.

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 46 47 and 42 37 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 product, under the Penn name, in certain states. PWSC sold new home warranty products and provided administration services to home builders and homeowners across the United States. PWSC 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. where Penn is approved.

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 SPI. 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. 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 properties throughout the United States, Europe, Asia, Mexico and the Caribbean.

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KINGSWAY FINANCIAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

March 31, 2024

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 unaudited consolidated interim 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 three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 were:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenues:						
Service fee and commission revenue - Extended Warranty	$ 17,254	$ 18,578	$ 50,968	$ 56,308	$ 16,685	$ 16,671
Service fee and commission revenue - Kingsway Search Xcelerator	7,536	3,818	26,408	12,134	9,475	9,718
Total revenues	$ 24,790	$ 22,396	$ 77,376	$ 68,442	$ 26,160	$ 26,389

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KINGSWAY FINANCIAL SERVICES INC.

Notes to Consolidated Financial Statements (Unaudited)

September 30, 2023

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 (loss) income from continuing operations for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 were:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Segment operating income:						
Extended Warranty	$ 1,778	$ 2,461	$ 4,602	$ 7,120	$ 1,076	$ 1,432
Kingsway Search Xcelerator	1,003	723	4,196	2,422	1,343	1,577
Total segment operating income	2,781	3,184	8,798	9,542	2,419	3,009

Net investment income	351	463	1,419	1,547	326	738
Net realized gains	206	797	539	1,035	124	210
Net gain (loss) on equity investments	592	(5)	3,374	(53)		
Gain on change in fair value of limited liability investments, at fair value	320	195	194	368		
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		
Impairment losses	(71)	—	(166)	—		
Gain (loss) on change in fair value of derivative asset option contracts	—	13,498	(1,366)	13,498		
Net (loss) gain on equity investments					(3)	1,075
Loss on change in fair value of limited liability investments, at fair value					(8)	(130)
Loss on change in fair value of derivative asset option contracts					—	(1,366)
Interest expense	(1,061)	(2,139)	(5,119)	(5,207)	(1,145)	(2,972)
Other revenue and expenses not allocated to segments, net	(2,833)	(7,242)	(9,279)	(13,488)	(1,739)	(2,640)
Amortization of intangible assets	(1,424)	(1,358)	(4,252)	(4,242)	(1,414)	(1,418)
Loss on change in fair value of debt	(165)	(1,794)	(195)	(4,992)		
Gain on disposal of subsidiary	342	37,917	342	37,917		
Impairment of intangible assets					(511)	—
(Loss) gain on change in fair value of debt					(80)	309
Gain on extinguishment of debt	—	—	31,616	—	—	31,616
(Loss) income from continuing operations before income tax (benefit) expense	(899)	45,004	25,968	37,413		
Income tax (benefit) expense	(102)	6,061	810	5,620		
(Loss) income from continuing operations before income tax expense					(2,031)	28,431
Income tax expense					84	699
(Loss) income from continuing operations	$ (797)	$ 38,943	$ 25,158	$ 31,793	$ (2,115)	$ 27,732

NOTE 21 20 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, subordinated debt, derivative contracts (interest rate swap and 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 and asset-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 owned investments in limited liability companies that 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 September 30, 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 was based upon the net asset values of the underlying investments in companies as a practical expedient to estimate fair value. The Company applied the net asset value practical expedient to Net Lease's limited liability investments on an investment-by-investment basis unless it was probable that the Company 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.

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.

Derivative contract - interest rate swap - As described in Note 10, "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. On February 29,2024, the interest rate swap matured and the Company did not enter into any additional interest rate swap agreement upon its expiration.The interest rate swap contract is was measured and reported at fair value and is included in other receivables in the consolidated balance sheets sheet atSeptember 30, 2023 and December 31, 2022 2023. The fair value of the interest rate swap contract is was estimated using inputs which the Company obtains obtained from the counterparty and is was determined using a discounted cash flow analysis on the expected cash flows of the derivative. The discounted cash flow valuation technique reflects reflected the contractual term of the derivative contract, including the period to maturity, and uses used 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 10, "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 were measured and reported at fair value and are included in other assets in the consolidated balance sheet at December 31, 2022. The fair value of the TruPs Options contracts was estimated using the binomial lattice model. Key inputs in the valuation 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. 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 September 30, 2023 March 31, 2024 and December 31, 2022 2023 was $3.3 $3.4 million and $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 September 30, 2023 March 31, 2024 and December 31, 2022 2023 was zero. 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 September 30, 2023 March 31, 2024 and December 31, 2022 2023 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)				September 30, 2023				March 31, 2024
	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	Significant	Significant		Quoted Prices in	Significant	Significant	

		Active Markets for Identical Assets	Other Observable Inputs	Unobservable Inputs	Measured at		Active Markets for Identical Assets	Other Observable Inputs	Unobservable Inputs
	Total	(Level 1)	(Level 2)	(Level 3)	Net Asset Value	Total	(Level 1)	(Level 2)	(Level 3)
Recurring fair value measurements:									
Assets:									
Fixed maturities:									
U.S. government, government agencies and authorities	$ 12,904	$ —	$ 12,904	$ —	$ —	$ 13,339	$ —	$ 13,339	$ —
States, municipalities and political subdivisions	2,820	—	2,820	—	—	2,778	—	2,778	—
Mortgage-backed	8,631	—	8,631	—	—	9,076	—	9,076	—
Asset-backed	1,350	—	1,350	—	—	1,444	—	1,444	—
Corporate	10,110	—	10,110	—	—	9,948	—	9,948	—
Total fixed maturities	35,815	—	35,815	—	—	36,585	—	36,585	—
Equity investments - common stock	205	205	—	—	—				
Limited liability investments, at fair value	3,599	—	—	3,599	—	3,488	—	—	3,488
Derivative contract - interest rate swap	127	—	127	—	—				
Total assets	$ 39,746	$ 205	$ 35,942	$ 3,599	$ —	$ 40,073	$ —	$ 36,585	$ 3,488
Liabilities:									
Subordinated debt	$ 12,624	$ —	$ 12,624	$ —	$ —	$ 13,651	$ —	$ 13,651	$ —
Contingent consideration	3,283	—	—	3,283	—	3,375	—	—	3,375
Total liabilities	$ 15,907	$ —	$ 12,624	$ 3,283	$ —	$ 17,026	$ —	$ 13,651	$ 3,375

(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			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	Measured at		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	(Level 1)	(Level 2)	(Level 3)	Net Asset Value	Total	(Level 1)	(Level 2)	(Level 3)
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	—	—	—				
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	$ 40,097	$ 79	$ 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

The following table provides a reconciliation of the fair value of recurring Level 3 fair value measurements for the three and ninemonths ended September 30, 2023March 31, 2024 and September 30, 2022March 31, 2023:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Assets:						
Limited liability investments, at fair value:						
Beginning balance	$ 3,688	$ 3,413	$ 3,196	$ 4,022	$ 3,496	$ 3,196
Contributions	—	—	35	—	—	35
Distributions received	(600)	(250)	(802)	(461)	(115)	(110)
Realized gains included in net (loss) income	191	250	407	447	115	110
Change in fair value of limited liability investments, at fair value included in net (loss) income	320	(198)	763	(793)	(8)	211
Ending balance	$ 3,599	$ 3,215	$ 3,599	$ 3,215	$ 3,488	$ 3,442
Unrealized losses (gains) on limited liability investments, at fair value held at end of period:						
Included in net (loss) income	$ 320	$ (198)	$ 763	$ (793)	$ (8)	$ 211
Included in other comprehensive (loss) income	$ —	$ —	$ —	$ —		
Included in other comprehensive loss					$ —	$ —
Derivative - trust preferred debt repurchase options:						
Beginning balance	$ —	$ —	$ 19,034	$ —	$ —	$ 19,034
Purchase of options	—	2,304	—	2,304		
Initial valuation of options included in net (loss) income	—	11,412	—	11,412		
Exercise of options included in net (loss) income	—	—	(17,668)	—	—	(17,668)
Change in fair value of derivative assets included in net (loss) income	—	2,086	(1,366)	2,086	—	(1,366)
Ending balance	$ —	$ 15,802	$ —	$ 15,802	$ —	$ —
Unrealized gains recognized on derivative assets held at end of period:						

Included in net (loss) income	$ —	$ 13,498	$ (1,366)	$ 13,498	$ —	$ —
Included in other comprehensive (loss) income	—	—	—	—		
Included in other comprehensive loss					—	—
Ending balance - assets	$ 3,599	$ 19,017	$ 3,599	$ 19,017	$ 3,488	$ 3,442
Liabilities:						
Contingent consideration:						
Beginning balance	$ 3,283	$ 3,959	$ 3,218	$ 2,458	$ 3,105	$ 3,218
Change in fair value of contingent consideration included in net (loss) income	—	18	65	1,519	270	—
Ending balance	$ 3,283	$ 3,977	$ 3,283	$ 3,977	$ 3,375	$ 3,218
Unrealized gains recognized on contingent consideration liability held at end of period:						
Included in net (loss) income	$ —	$ 18	$ 65	$ 1,519	$ 270	$ —
Included in other comprehensive (loss) income	$ —	$ —	$ —	$ —		
Included in other comprehensive loss					$ —	$ —
Ending balance - liabilities	$ 3,283	$ 3,977	$ 3,283	$ 3,977	$ 3,375	$ 3,218

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for the Company's investments financial assets and liabilities that are categorized as Level 3 at September 30, 2023 March 31, 2024:

Categories	Fair Value (in thousands)	Valuation Techniques	Unobservable Inputs	Input Value(s)	Fair Value (in thousands)	Valuation Techniques	Unobservable Inputs	Input Value(s)
Limited liability investments, at fair value	$ 3,599	Market approach	Valuation multiples	1.0x - 9.0x	$ 3,488	Market approach	Valuation multiples	1.0x - 9.0x
Contingent consideration	$ 3,283	Option-based income approach	Discount rate	8.25%	$ 3,375	Option-based income approach	Discount rate	8.25%
			Risk-free rate	4.30%			Risk-free rate	4.96%
			Expected volatility	13.00%			Expected volatility	9.00%

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for the Company's investments financial assets and liabilities that are categorized as Level 3 at December 31, 2022:

Categories	Fair Value (in thousands)	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 %

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 September 30, 2023:

Category		Fair Value (in thousands)	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited liability investments, at fair value	$	—	n/a	n/a	n/a

Categories		Fair Value (in thousands)	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 investments for which fair value is measured using the net asset value per share practical expedient at December 31, 2022:

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

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 three and ninemonths ended September 30, 2023March 31, 2024 and September 30, 2022March 31, 2023, the Company did notrecorded record any adjustments to increase the fair value of certain its investments in private companies for observable price changes of $0.1 million and zero, respectively, which are included in net change in unrealized gain on private company investments in the unaudited consolidated statements of operations. The Company did not record any impairments related to investments in private companies for the three andnine months ended September 30, 2023March 31, 2024 and September 30, 2022March 31, 2023. 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 5, "Acquisitions, Disposal and Discontinued Operations," 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 Indefinite-lived intangible assets associated with the acquisition of SPI were determined are recorded at carrying value, and, if impaired, are adjusted to be fair value using Level 3 under inputs. Refer to Note 8, "Intangible Assets" for further information regarding the process of determining the fair value hierarchy. of indefinite-lived intangible assets and the impairment charges recorded for the three months ended March 31, 2024.

The following table summarizes the valuation techniques and significant unobservable inputs utilized in determining fair values for these Level 3 measurements:

Categories		Fair Value (in thousands)	Valuation Techniques	Unobservable Inputs	Input Value(s)
Customer relationships	$	1,200	Multi-period excess earnings	Growth rate	3.0 %
				Attrition rate	5.0 %
				Discount rate	21.0 %
Developed technology	$	600	Relief from royalty	Royalty rate	5.0 %
				Discount rate	19.0 %
Trade name	$	170	Relief from royalty	Royalty rate	1.0 %
				Discount rate	19.0 %

NOTE 22 21 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 unaudited consolidated interim financial statements, the following is a summary of related party relationships and transactions.

Argo Management Group, LLC

The Company acquired Argo Management Group, LLC ("Argo Management") in April 2016. Argo Management's primary business is to act as Managing Member of Argo Holdings. At September 30, 2023 March 31, 2024 and December 31, 2022 2023, 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 nine three months ended September 30, 2023 March 31, 2024 and the year ended December 31, 2022 2023.

NOTE 23 22 COMMITMENTS AND CONTINGENCIES

(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, 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 through 2022, 2023, the the Company made reimbursement payments to Aegis totaling $1.0 $1.5 million in connection with the Settlement Agreement. During the three and nine months ended September 30, March 31, 2024 and March 31, 2023, the Company made no reimbursement payments to Aegis of $0.1 million and $0.2 million, respectively, in connection with the Settlement Agreement, which are included in general and administrative expenses in the unaudited consolidated statement Agreement. The remaining maximum reimbursement amount is $3.3 million as of operations for the three and nine months ended September 30, 2023 March 31, 2024. The Company's potential exposure under these agreements was not reasonably determinable at September 30, 2023 March 31, 2024, and no liability has been recorded in the unaudited consolidated interim financial statements at September 30, 2023 March 31, 2024.

(b) Guarantees: Guarantee:

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 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, which is included in accrued expenses and other liabilities in the consolidated balance sheet at 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. 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 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 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 fair value of $0.2 million at September 30, 2023 March 31, 2024 and December 31, 2022 2023, were on deposit with state regulatory authorities.

The Company also has restricted cash of $9.1 7.9 million and $13.1 8.4 million at September 30, 2023 March 31, 2024 and December 31, 2022 2023, respectively. Included in restricted cash are:

- $8.2 6.9 million and $7.6 $7.7 million at September 30, 2023 March 31, 2024 and December 31, 2022 2023, respectively, held as deposits by IWS, Geminus, PWI, Ravix, CSuite and CSuite; SPI;
- $0.2 million and $1.9 0.2 million at September 30, 2023 March 31, 2024 and December 31, 2022 2023, respectively, on deposit with state regulatory authorities; and
- $0.7 0.8 million and $3.5 $0.5 million at September 30, 2023 March 31, 2024 and December 31, 2022 2023, 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 24 SUBSEQUENT EVENTS

On October 23, 2023, the Company announced the signing of a definitive agreement to purchase 95% of the shares of National Institute of Clinical Research, Inc. ("NICR"), a provider of clinical trial site management and recruitment services for nephrology, cardiometabolic, infectious diseases and gastroenterology. Under the terms of the definitive purchase agreement and subject to the terms and conditions thereof, Kingsway will at the closing acquire 95% of the shares of NICR for approximately $7.9 million. The remaining 5% will remain with the seller. The transaction, which is subject to certain closing conditions, is expected to close in the first quarter of 2024. The Company expects to fund the purchase price with a mix of cash on hand and third-party financing.

On October 27, 2023, the Company announced the acquisition of Digital Diagnostics Imaging, Inc. ("DDI"), a provider of fully managed outsourced cardiac monitoring telemetry services for $11.0 million in an all-cash transaction funded with $5.4 million in cash on hand and $5.6 million in debt financing.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. Words such as “expects,” “believes,” “anticipates,” “intends,” “estimates,” “seeks” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect Kingsway management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, see Kingsway's securities filings, including its Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 ("2022 2023 Annual Report"). The Company's securities filings can be accessed on the EDGAR section of the U.S. Securities and Exchange Commission's website at www.sec.gov, on the Canadian Securities Administrators' website at www.sedar.com or through the Company's website at www.kingsway-financial.com. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements because of new information, future events or otherwise.

FILER STATUS

On the last business day of the second quarter in 2023, the aggregate market value of the Company's shares of common stock held by non-affiliate stockholders was between $75 million and $250 million and the Company's revenue for the year ended December 31, 2023 was more than $100 million. As a result, the Company will be deemed an accelerated filer as defined in Rule 12b-2 under the Exchange Act as of January 1, 2024. Due to the change in filer status, the Company will no longer be exempt from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, and the Company's independent registered public accounting firm will evaluate and report on the effectiveness of internal control over financial reporting.

OVERVIEW

Kingsway is a Delaware 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.

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 September 30, 2023 and December 31, 2022.
- 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, "Acquisitions, Disposal and Discontinued Operations," to the unaudited consolidated interim 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, "Acquisitions, Disposal and Discontinued Operations," to the unaudited consolidated interim financial statements, the Company disposed of PWSC on July 29, 2022. The earnings of PWSC are included in the unaudited interim consolidated statements of operations and the segment disclosures through the disposal date. Throughout Management's Discussion and Analysis, 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 in25 states and the District of Columbia to their members, with customers in all fifty 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 46 47 and 42 37 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.

PWSC sold home warranty products and provided administration services to homebuilders and homeowners across the United States. PWSC 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. approved.

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"), Secure Nursing Service LLC ("SNS") and , Systems Products International, Inc. ("SPI") and Digital Diagnostics Imaging, Inc. ("DDI"). Throughout Management's Discussion and Analysis, the term the term "Kingsway Search Xcelerator" is used to refer to this segment.

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. 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 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 quarterly 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. Our unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. In addition to the U.S. GAAP presentation of net (loss) 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 are presented in the unaudited consolidated statements of operations, but are not subtotaled by segment; however, this information is available in total and by segment in Note 20 19, "Segmented Information," to the unaudited consolidated interim financial statements, regarding reportable segment information. The nearest comparable U.S. GAAP measure to total segment operating income is (loss) income from continuing operations before income tax (benefit) expense that, in addition to segment operating income, includes net investment income, net realized gains, net (loss) gain (loss) on equity investments, gain loss 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, gain (loss) loss 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 impairment of intangible assets, (loss) gain on change in fair value of debt gain on disposal of subsidiary and gain on extinguishment of debt. A reconciliation of total segment operating income to (loss) income from continuing operations before income tax (benefit) expense for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 is presented below in Table 1 of the "Results of Continuing Operations" section of Management's Discussion and Analysis.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES

The preparation of unaudited consolidated interim financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and classifications 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 critical accounting policies and judgments in the accompanying unaudited consolidated interim financial statements include 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 financial instruments; and conting instrumentsent consideration. . 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.

The Company's significant accounting policies and critical estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 2022 2023 Annual Report. There has been no material change subsequent to December 31, 2022 December 31, 2023 to the information previously disclosed in the 2022 2023 Annual Report with respect to these significant accounting policies and critical estimates.

RESULTS OF CONTINUING OPERATIONS

A reconciliation of total segment operating income to net (loss) income for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 is presented in Table 1 below:

Table 1 Segment Operating Income
(in thousands of dollars)

	For the three months ended September 30,			For the nine months ended September 30,			For the three months ended March 31,		
	2023	2022	Change	2023	2022	Change	2024	2023	Change
Segment operating income:									
Extended Warranty	$ 1,778	$ 2,461	$ (683)	$ 4,602	$ 7,120	$ (2,518)	$ 1,076	$ 1,432	$ (356)
Kingsway Search Xcelerator	1,003	723	280	4,196	2,422	1,774	1,343	1,577	(234)
Total segment operating income	2,781	3,184	(403)	8,798	9,542	(744)	2,419	3,009	(590)
Net investment income	351	463	(112)	1,419	1,547	(128)	326	738	(412)
Net realized gains	206	797	(591)	539	1,035	(496)	124	210	(86)
Net gain (loss) on equity investments	592	(5)	597	3,374	(53)	3,427			
Gain on change in fair value of limited liability investments, at fair value	320	195	125	194	368	(174)			
Net change in unrealized gain on private company investments	63	—	63	63	—	63			
Gain on change in fair value of real estate investments	—	1,488	(1,488)	—	1,488	(1,488)			
Impairment losses	(71)	—	(71)	(166)	—	(166)			
Gain (loss) on change in fair value of derivative asset option contracts	—	13,498	(13,498)	(1,366)	13,498	(14,864)			
Net (loss) gain on equity investments							(3)	1,075	(1,078)
Loss on change in fair value of limited liability investments, at fair value							(8)	(130)	122
Loss on change in fair value of derivative asset option contracts							—	(1,366)	1,366

Interest expense	(1,061)	(2,139)	1,078	(5,119)	(5,207)	88	(1,145)	(2,972)	1,827
Other revenue and expenses not allocated to segments, net	(2,833)	(7,242)	4,409	(9,279)	(13,488)	4,209	(1,739)	(2,640)	901
Amortization of intangible assets	(1,424)	(1,358)	(66)	(4,252)	(4,242)	(10)	(1,414)	(1,418)	4
Loss on change in fair value of debt	(165)	(1,794)	1,629	(195)	(4,992)	4,797			
Gain on disposal of subsidiary	342	37,917	(37,575)	342	37,917	(37,575)			
Impairment of intangible assets							(511)	—	(511)
(Loss) gain on change in fair value of debt							(80)	309	(389)
Gain on extinguishment of debt	—	—	—	31,616	—	31,616	—	31,616	(31,616)
(Loss) income from continuing operations before income tax (benefit) expense	(899)	45,004	(45,903)	25,968	37,413	(11,445)			
Income tax (benefit) expense	(102)	6,061	(6,163)	810	5,620	(4,810)			
(Loss) income from continuing operations before income tax expense							(2,031)	28,431	(30,462)
Income tax expense							84	699	(615)
(Loss) income from continuing operations	(797)	38,943	(39,740)	25,158	31,793	(6,635)	(2,115)	27,732	(29,847)
Income from discontinued operations, net of taxes	122	830	(708)	339	3,111	(2,772)	191	107	84
Loss on disposal of disposal of discontinued operations, net of taxes	—	(2,500)	2,500	—	(2,500)	2,500	(404)	—	(404)
Net (loss) income	$ (675)	$ 37,273	$ (37,948)	$ 25,497	$ 32,404	$ (6,907)	$ (2,328)	$ 27,839	$ (30,167)

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

In the third first quarter of 2023 2024 , we reported segment operating income of $2.8 2.4 million, a decrease of $0.4 million $0.6 million from the same period in 2022 ($8.8 million year 2023. See further discussion below related to date, a decrease of $0.7 million compared to prior year to date). The the decrease for the three and ninemonths ended September 30, 2023 is primarily due to the following items:

- The disposal of PWSC as of July 29, 2022, which had segment operating loss of $0.1 million in the third quarter of 2022 (segment operating income of $1.0 million prior year to date); and
- Decreased operating income at the other Extended Warranty subsidiaries; which was partially offset by
- Increased operating income from Kingsway Search Xcelerator, primarily due to including CSuite and SNS for the third quarter and ninemonths of 2023 (both were acquired in November 2022). CSuite and SNS had combined operating income of $0.2 million and $1.5 million for the three and nine months ended September 30, 2023, respectively.

March 31, 2024.

In the third first quarter of 2023 2024, we reported loss from continuing operations of $0.8 million $2.1 million compared to income from continuing operations of $38.9 27.7 million in the third first quarter of 2022 2023. The loss from continuing operations for the three months ended September 30, 2023 March 31, 2024is primarily due to:

- Interest expense; and
- Other revenue and expenses not allocated to segments, net; and
- Amortization of intangible assets; partially offset by
- Segment operating income.

The income from continuing operations for the three months ended September 30, 2022 March 31, 2023 is primarily due to a gain on disposal of subsidiary of $37.9 million, related to the sale of PWSC, a gain on change in fair value of derivative asset option contracts of $13.5 million, related to the trust preferred debt repurchase options, and segment operating income; all of which was partially offset by other revenue and expenses not allocated to segments, net. See Note 5, "Acquisitions, Disposal and Discontinued Operations" and Note 10, "Derivatives," to the unaudited consolidated interim financial statements, for further discussion of the PWSC disposal and trust preferred debt repurchase options.

KINGSWAY FINANCIAL SERVICES INC.

For the nine months ended September 30, 2023, we reported income from continuing operations of$25.2 million compared to$31.8 million for the nine months ended September 30, 2022. The income from continuing operations for the nine months ended September 30, 2023 is primarily due to: due:

- A gain on extinguishment of debt of $31.6 million, related 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
- Loss on change in fair value of derivative asset option contracts of $1.4 million, related to the trust preferred debt repurchase options; and
- 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").net.

See Note 11, "Debt" and Note 10, "Derivatives," to the unaudited consolidated interim 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 nine months ended September 30, 2022 is primarily due to gain on disposal of subsidiary of $37.9 million, related to the sale of PWSC, gain on change in fair value of derivative asset option contracts of $13.5 million, related to the trust preferred debt repurchase options, and segment operating income, that was partially offset by interest expense, other revenue and expenses not allocated to segments, net, which includes a $6.1 million of expense related to previously-granted awards to PWSC employees that are accounted for on a fair value basis and $1.5 million of expense due to the increase in fair value of the Ravix contingent consideration, loss on change in fair value of debt and income tax expense which 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.
In the third first quarter of 2023 2024, we reported anet lossof $0.7 2.3 million compared to net income of $37.3 27.8 million in the third first quarter of 2022 2023 (net income of $25.5 million year to date compared to $32.4 million prior year to date). In addition to the items described above impacting (loss) income from continuing operations, the net (loss) income includes:

- Income from discontinued operations, net of taxes of $0.1 $0.2 million and $0.8 0.1 million for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, respectively, ($0.3 million and $3.1 million year related to date and prior year to date, respectively); the operations of VA Lafayette; and
- A loss on disposal of discontinued operations, net of taxes of $2.5 $0.4 million for and zero for the three and nine months ended September 30, 2022. March 31, 2024 and March 31, 2023, respectively,

The income from discontinued operations is related to the operations of CMC, solely with respect to For the three and nine months ended September 30, 2022 March 31, 2024, and VA Lafayette. The the loss on disposal of discontinued operations is related the result of adjusting the net carrying value of VA Lafayette to a liability recorded at September 30, 2022 regarding be equal to the Company's obligation to indemnify a former subsidiary for open claims. See estimated selling price. As discussed in Note 5, "Acquisitions, Disposal "Acquisitions and Discontinued Operations," to the unaudited consolidated interim financial statements, during the fourth quarter of 2022, the Company committed to a plan sell VA Lafayette. During the second quarter of 2024, the Company entered into a letter of intent for further discussion. 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 first quarter of 2024, the Company recognized an estimated non-cash, loss on disposal of $0.4 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.

Extended Warranty

The Extended Warranty service fee and commission revenue decreased 7.0% (or $1.3 million) to $17.3 was $16.7 million for the three months ended September 30, 2023 March 31, 2024 compared with $18.6 million $16.7 million for the three months ended September 30, 2022 March 31, 2023 ($51.0 million year to date compared to $56.3 million prior year to date). Our auto Extended Warranty companies continue to be impacted by payment pressures incurred by consumers as a result of a higher interest rate environment and continued higher-than-expected price of used automobiles. While the price of used automobiles has fallen since the beginning of 2023, the declines for the end consumer are not occurring as quickly as anticipated. Service fee and commission revenue was impacted by the following for the three and nine months ended September 30, 2023:

- A $0.7 million decrease at PWSC for the three months ended September 30, 2023 (a decrease of $4.9 million year to date), due to the sale of PWSC on July 29, 2022;
- A $0.5 million decrease at Trinity for the three months ended September 30, 2023 (a decrease of $2.1million year to date), 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 long lead times on parts and installations;
- A $0.15 million decrease at Geminus for the three months ended September 30, 2023 (essentially flat year to date);

- A $0.1 million decrease at IWS for the three months ended September 30, 2023 (an increase of $1.1 million year to date). 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 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; and
- A $0.1 million increase at PWI for the three months ended September 30, 2023 (an increase of $0.5 million year to date). In the second half of 2022, there was a restructuring of leadership at PWI that has resulted in a higher focus on salesforce production.

The Extended Warranty operating income was $1.8 million $1.1 million for the three months ended September 30, 2023 March 31, 2024 compared with $2.5 million $1.4 million for the three months ended September 30, 2022. ($4.6 million year to date compared to $7.1 million prior year to date) March 31, 2023. We saw an increase in claims paid at our auto Extended Warranty companies – both sequentially and year over year – primarily due to continued inflationary pressures on the cost of parts and labor. While the third quarter 2023 claims were up from the same period prior year, claims were lower than the second quarter of 2023, and the increase over prior year was less than the increase of second quarter 2023 over the second quarter of 2022.

Operating income was primarily impacted by the following:

- A $0.1 million increase at PWSC IWS to $0.8 million for the three months ended September 30, 2023 (a decrease of $0.9 million year to date) March 31, 2024,primarily due to the sale of PWSC on July 29, 2022; an increase in revenue;

- A $0.3 $0.3 million decrease at Trinity PWI to $0.3 million $0.1 million for the three months ended September 30, 2023 (a decrease of $0.5 million year to date to $0.8 million), March 31, 2024primarily due to a decrease in revenue that. The operating income for the three months ended March 31, 2024 was partially impacted by higher claims expense and commission expense, which more than offset by a decrease in cost of services sold the benefits from lower general and administrative expenses and increased revenue;

- A $0.2 million decrease at Geminus to $0.1 million for the three months ended September 30, 2023 March 31, 2024 (a decrease of $0.5 million year to date to $0.4 million), due to an increase in commission expense and claims authorized on vehicle service agreements. General and administrative expenses were down slightly both quarter to date and year to date; and

- A $0.2 million less than $0.1 million decrease at PWI to $0.4 million for the three months ended September 30, 2023 (a decrease of $0.5 million year to date to $1.1 million). The operating income for the three and nine months ended September 30, 2023 was impacted by higher claims expense and commission expense compared with the same periods in 2022, which more than offset the benefits from significantly lower general and administrative expenses; and
- A $0.2 million decrease at IWS Trinity to $0.9 0.1 million for the three months ended September 30, 2023 March 31, 2024 (a decrease of less than $0.1 million year to date to $2.3 million). The decrease for the quarter is primarily due to increased claims authorized on vehicle service agreements. General and administrative expenses were essentially flat quarter to date and down slightly year to date. During the first quarter of 2022, there was 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 for the nine months ended September 30, 2022.

Kingsway Search Xcelerator

The Kingsway Search Xcelerator revenue increased decreased to $7.5 9.5 million for the three months ended September 30, 2023 March 31, 2024 compared to $3.8 $9.7 million for the three months ended September 30, 2022 March 31, 2023 ($26.4 million year to date compared to $12.1 million prior year to date). Kingsway Search Xcelerator operating income was $1.0 1.3 million for the three months ended September 30, 2023 March 31, 2024 compared to $0.7 $1.6 million for the three months ended September 30, 2022 March 31, 2023($4.2 million year to date compared to $2.4 million prior year to date). The increase in revenue Revenue and operating income is were primarily due to: impacted by the following:

- Organic growth at Ravix. While revenue was down $0.4 million for the Ravix operating income increased less than $0.1 million to $0.9 million for the three months ended September 30, 2023 compared to the same period March 31, 2024. A decrease in 2022 (down $1.1 million year to date); gross margin and cost of sales was partially offset by a decrease in revenue;

- SNS operating income increased $0.1 million decreased $0.5 million to $0.1 million for the three months ended September 30, 2023 ($0.3 March 31, 2024, primarily due to a decrease in revenue, partially offset by lower cost of sales;
- CSuite operating income decreased $0.1 million year to date); less than $0.1 million for the three months ended March 31, 2024, primarily due to a decrease in revenue, partially offset by lower cost of sales; and
- The inclusion 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 CSuite $2.1 million and SNS for $0.3 million, respectively, during the three and nine months of 2023 following their acquisitions effective November 1, 2022 and November 18, 2022, respectively. ended March 31, 2024.

Net Investment Income

Net investment income was $0.4 0.3 million in the third first quarter of 2024 compared to $0.7 million in the first quarter of 2023 compared to $0.5 million in the third quarter of 2022 ($1.4 million year to date compared to $1.5 million prior year to date). The decrease in net investment income for the three months ended September 30, 2023 March 31, 2024 primarily relates to the decrease in investment income from real estate investments, partially offset by higher investment income from fixed maturities cash equivalents, as a result of general changes in market conditions. The a decrease in net investment income for the nine months ended September 30, 2023 primarily relates to the decrease in investment income from real estate investments and limited liability investments, partially offset by higher investment income from cash equivalents and fixed maturities as a result of general changes in market conditions. balance.

Net Realized Gains

Net realized gains were $0.1 million in the first quarter of 2024 compared to $0.2 million in the third first quarter of 2023 compared to $0.8 million in the third quarter of 2022 ($0.5 million year to date compared to $1.0 million prior year to date). The net realized gains for the three months ended September 30, 2023 March 31, 2024 primarily relate to realized gains recognized by Argo Holdings Fund I, LLC ("Argo Holdings"). The net realized gains for the nine three months ended September 30, March 31, 2023 primarily relate to realized gains recognized by Argo Holdings and net realized gains on sales of limited liability investments. The net realized gains for the three and nine months ended September 30, 2022 primarily relate to realized gains recognized by Argo Holdings, net realized gains on sales of limited liability investments 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 (Loss) Gain (Loss) on Equity Investments

Gain Loss on equity investments was $0.6 less than $0.1 million in the third first quarter of 2023 2024 compared to a loss gain of less than $0.1 $1.1 million in the third first quarter of 2022 (gain of $3.4 million year to date compared to a loss of $0.1 million prior year to date) 2023. The gain for the three and nine months ended September 30, March 31, 2023 primarily relates to unrealized gains on equity investments held. During the Company's investment in Limbach. Prior to the second first quarter of 2023, the Company held warrants in Limbach. 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. held. During the third quarter of 2023, the Company sold all of its shares of Limbach common stock.
investment in Limbach.

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

Gain Loss on change in fair value of limited liability investments, at fair value value was less than $0.3 0.1 million in the third first quarter of 2024 compared to $0.1 million in the first quarter of 2023 compared to $0.2 million in the third quarter of 2022 ($0.2 million year to date compared to $0.4 million prior year to date). The gain loss for the three months ended September 30, 2023 March 31, 2024 represents an increase a decrease in fair value related to Argo Holdings. The gain loss for the three months ended September 30, 2022 March 31, 2023 represents an increase a decrease in fair value of $0.4 $0.3 million related to Net Lease Investment Grade Portfolio LLC ("Net Lease"), partially offset by a decrease an increase in fair value of $0.2 million related to Argo Holdings.
The gain for the nine months ended September 30, 2023 represents an increase in fair value of $0.8 million related to Argo Holdings, partially offset by a decrease in fair value of $0.6 million related to Net Lease. The gain for the nine months ended September 30, 2022 represents an increase in fair value of 1.2 million related to Net Lease, partially offset by a decrease in fair value of $0.8 million related to Argo Holdings.

During the second quarter of 2023, the Company recorded the sale of Net Lease's final investment property. As a result of the sale, the Company's investment in Net Lease is was zero at September 30, 2023 December 31, 2023.

Gain on Change in Fair Value of Real Estate Investments

Gain on change in fair value of real estate investments was $1.5 million for the three and nine months ended September 30, 2022 . Real estate investments represented investment real estate properties held by the Company's consolidated subsidiary, Flower. The Company consolidated the financial statements of Flower on a three-month lag. The increase in fair value was attributable to the sale of the 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 in its fourth quarter 2022 financial statements.

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

Gain Loss on change in fair value of derivative asset option contracts was zero i n the third first quarter of 2023 2024 compared to $13.5 $1.4 million in the third first quarter of 2022 2023 (a loss of $1.4 million year to date compared to a gain of $13.5 million prior year to date). The derivative contract relates related to three trust preferred debt repurchase option agreements the Company entered into during the third quarter of 2022. The Company exercised the repurchase options during the first quarter of 2023. The gain for the three and nine months ended September 30, 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 ($2.3 million), as well as the subsequent change in fair value of $2.1 million as of September 30, 2022.

Refer to Note 10, "Derivatives," to the unaudited consolidated interim financial statements, for further information on the option agreements.

Interest Expense

Interest expense for the third first quarter of 2023 2024 was $1.1 million compared to $2.1 $3.0 million in the third first quarter of 2022 2023($5.1 million year to date compared to $5.2 million prior year to date). Interest expense was impacted by the following The decrease for the threeand ninemonths months ended September 30, 2023 March 31, 2024: is primarily attributable to:

- A decrease of $1.5 $1.9 million for the three months ended September 30, 2023 ($1.4 million year to date) on the Company's subordinated debt. During the first quarter of 2023,On March 22, 2023, the Company repurchased TruPs debt having a principal amount of $75.5 million. As a result, the interest expense for the thirdfirst quarter of 2023 2024 relates only to the one remaining TruPs debt instrument outstanding. The decrease for the year to date primarily resulted from the repurchase of the TruPs debt during the first quarter of 2023 (resulting in 2023 year to date interest expense including only the one remaining TruPs debt instrument outstanding during the second and third quarters of 2023), partially offset by generally higher London interbank offered interest rates ("LIBOR") for three-month U.S. dollar deposits during the nine months of 2023 compared to the same period in 2022. The Company's subordinated debt 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 less than $0.1 million for the three months ended September 30, 2023 ($0.6 million year to date), related to the 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 A decrease of less than $0.1 million for the three months ended September 30, 2023 ($0.4 million year to date), 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 9.00%);
- An increase A decrease of less than $0.1 million for the three months ended September 30, 2023 ($0.4 million year to date), related to the $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 9.25%); and
- An increase of less than $0.1 million for the three months ended September 30, 2023 ($0.1 million year to date) related to the 2021 Ravix DDI Loan, which was effective October 1, 2021 October 26, 2023, and has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 3.75% 5.00% (current rate of 9.00%); and
- A decrease of $0.1 million for the three months ended September 30, 2023 ($0.2 million year to date) related to notes payable held by the Company's consolidated subsidiary, Flower. The Flower debt was repaid in the third quarter of 2022. .

See "Debt" section below Note 11, "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, net was a net expense of $2.8 million $1.7 million in the third first quarter of 2023 2024 compared to $7.2 million $2.6 million in the third first quarter of 2022 ($9.3 million year to date compared to $13.5 million prior year to date). 2023. 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 decrease in net expense for the three months ended September 30, 2023 March 31, 2024 is primarily attributable to a decrease management fee paid to the external manager of a previously consolidated entity in stock-based compensation expense the first quarter of $5.0 million 2023 and lower salary and acquisition related to previously-granted awards to PWSC employees (PWSC was sold in July 2022), expenses, partially offset by an increase in healthcare benefit expenses during the third quarter of 2023 compared to the same period in 2022.

The decrease in net expense for the nine months ended September 30, 2023 is primarily attributable to decreases in stock-based compensation expense of $6.1 million related to previously-granted awards to PWSC employees 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, healthcare benefit expense and acquisition related expenses during the nine three months ended September 30, 2023 March 31, 2024 compared to the same period in 2022. 2023.

Loss

KINGSWAY FINANCIAL SERVICES INC.

Impairment of Intangible Assets

Impairment of intangible assets was $0.5 million in the first quarter of 2024 compared to zero in the first quarter of 2023 . The Company's 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. At March 31, 2024, the Company determined that certain of its trade name intangible assets should be further examined under a quantitative approach. Based upon this assessment, the Company recorded an impairment charge of $0.5 million related to the SNS and CSuite indefinite-lived trade names. The reduction in value is primarily due to higher discount rates and reduction in projected revenue.

(Loss) Gain on Change in Fair Value of Debt

Loss on change in fair value of debt was $0.2 0.1 million in the thirdfirst quarter of 20232024 compared to a gain of $1.8 0.3 million in the thirdfirst quarter of 20222023 ($0.2 million year to date compared to $5.0 million prior year to date). During the first quarter of 2023, the Company repurchased TruPs debt havinga principal amount of $75.5 million. The change in fair value related to the repurchased TruPs debt was a gain of $0.3 million and the change in fair value related to the remaining TruPs debt instrument was a loss of $0.5 million less than $0.1 million during the nine three months ended September 30, March 31, 2023.

The loss The (loss) gain for three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 reflects 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	Three months ended September 30, 2023 March 31, 2024	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022 March 31, 2023
	Result	Result	Result	Result
LIBOR:				
increase causes fair value to increase; decrease causes fair value to decrease	Increase to fair value	Increase to fair value	Increase to fair value	Increase Decrease to fair value
Risk free rate:				
increase causes fair value to decrease; decrease causes fair value to increase	Increase to fair value	Decrease to fair value	Decrease to fair value	Decrease Increase 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 the three and nine months ended September 30, 2022. During three and nine months ended September 30, 2023, the Company recorded an additional gain on disposal of PWSC of $0.3 million related to the working capital true-up and release of indemnity funds that were held in escrow. The sale of PWSC did not represent a strategic shift that will have a major effect on the Company's operations or financial results; therefore, PWSC is not presented as a discontinued operation.

See Note 5, "Acquisitions, Disposal and Discontinued Operations," to the unaudited consolidated interim financial statements, for further discussion of the PWSC disposal.

Gain on Extinguishment of Debt

For the nine three months ended September 30, 2023, March 31, 2023, gain on extinguishment of debt consists of a $31.6 million $31.6 million gain related to the repurchase of TruPs debt having a principal amount of $75.5 million. The gain on 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 sheet at the repurchase date. See Note 11 "Debt," to the unaudited consolidated interim financial statements, for further discussion.

Income Tax (Benefit) Expense

Income tax benefit expense for the third first quarter of 2023 2024 was $0.1 million compared to an expense of $6.1 0.7 million in the third first quarter of 2022 2023 (expense of $0.8 million year to date compared to expense of $5.6 million prior year to date). For the three months ended September 30, March 31, 2024 and March 31, 2023, the Company reported income tax benefit primarily due to the partial release of its valuation allowance related to deferred tax liabilities from acquisitions. For the nine months ended September 30, 2023, the Company reported income tax expense primarily due to state tax expense. For the three and nine months ended September 30, 2022, the Company reported income tax expense primarily due to the state tax expense associated with the sale of PWSC during the period and the related increase in valuation allowance from the accelerated utilization of indefinite life interest expense carryforwards as a result of such sale. See Note 14, "Income Taxes," to the unaudited consolidated interim financial statements, for additional detail of the income tax (benefit) expense recorded for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

INVESTMENTS

Portfolio Composition

See Note 2(d), "Summary of Significant Accounting Policies - Investments," to the consolidated financial statements in the 2022 2023 Annual Report for an overview of how we account for our various investments.

At September 30, 2023 March 31, 2024, we held cash and cash equivalents, restricted cash and investments with a carrying value of $70.8 million $61.9 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.

KINGSWAY FINANCIAL SERVICES INC.

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

Type of investment	September 30, 2023	% of Total	December 31, 2022	% of Total	March 31, 2024	% of Total	December 31, 2023	% of Total
Fixed maturities:								
U.S. government, government agencies and authorities	12,904	18.2 %	15,080	11.2 %	13,339	21.6 %	12,997	21.9 %
States, municipalities and political subdivisions	2,820	4.0 %	2,232	1.7 %	2,778	4.5 %	2,783	4.7 %
Mortgage-backed	8,631	12.2 %	8,412	6.3 %	9,076	14.7 %	9,253	15.6 %
Asset-backed	1,350	1.9%	1,610	1.2%	1,444	2.3%	1,210	2.0%
Corporate	10,110	14.3 %	10,257	7.6 %	9,948	16.1 %	10,230	17.2 %
Total fixed maturities	35,815	50.6 %	37,591	28.1 %	36,585	59.1 %	36,473	61.4 %
Equity investments - common stock	205	0.3 %	153	0.1 %				
Equity investments					—	— %	79	0.1 %
Limited liability investments	816	1.2 %	983	0.7 %	753	1.2 %	812	1.4 %
Limited liability investments, at fair value	3,599	5.1 %	17,059	12.7 %	3,488	5.6 %	3,496	5.9 %
Investments in private companies	854	1.2 %	790	0.6 %	854	1.4 %	854	1.4 %
Other investments	69	0.1 %	201	0.2 %	—	— %	6	0.0 %
Short-term investments	160	0.2 %	157	0.1 %	163	0.3 %	161	0.3 %
Total investments	41,518	58.6 %	56,934	42.4 %	41,843	67.6 %	41,881	70.5 %
Cash and cash equivalents	20,183	28.5 %	64,168	47.9 %	12,112	19.6 %	9,098	15.4 %
Restricted cash	9,103	12.9 %	13,064	9.7 %	7,909	12.8 %	8,400	14.1 %
Total	70,804	100.0 %	134,166	100.0 %	61,864	100.0 %	59,379	100.0 %

Investment Impairment

The Company's fixed maturities are subject Company performs a quarterly analysis of its investments to determine if declines in fair value below amortized cost that may result in the recognition of impairment losses in net (loss) income. income. Factors considered in the determination of whether or not an impairment loss is recognized in net (loss) income include a current intention or need to sell the security or an indication that a credit loss exists. See the "Significant Accounting Policies and Critical Estimates" section of Management's Discussion and Analysis of Financial Condition included in the 2023 Annual Report for further information regarding the Company's detailed analysis and factors considered in establishing an impairment loss on an investment.

Effective January 1, 2023, as a The Company's fixed maturities are subject to declines in fair value below amortized cost that may result in the recognition of the adoption of ASU 2016-13, if impairment losses in net (loss) income. 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. 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 be recorded, including the financial condition and expected near-term and long term prospects of the issuer, whether the issuer is current with interest and principal payments, credit ratings on the 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 the security. The Company performs a quarterly analysis of its available-for-sale fixed maturity investments and other investments to determine if an impairment loss has occurred. As a result of the analysis performed, the Company recorded an impairment loss related to other investments of less than $0.1 million and $0.1 million for the three and nine months ended September 30, 2023.
There were no impairment losses recorded related to available-for-sale fixed maturity investments during the three months ended March 31, 2024 and nine months ended September 30, March 31, 2023.

Prior to the adoption of ASU 2016-13, the Company performed a quarterly analysis of its available-for-sale fixed maturity investments At March 31, 2024 and other investments to determine if declines in market value were other-than-temporary. See the "Significant Accounting Policies and Critical Estimates" section of Management's Discussion and Analysis of Financial Condition included in the 2022 Annual Report 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, there were no write downs for other-than-temporary impairment related to fixed maturity investments and other investments for the three and nine months ended September 30, 2022.
The Company recorded write downs for other-than-temporary impairment related to limited liability investments of $0.1 million and zero for the three months ended September 30, 2023 and September 30, 2022, respectively ($0.1 million and zero for the nine months ended September 30, 2023 and September 30, 2022, respectively), which are included in impairment losses in the consolidated statements of operations.
The Company recorded write downs for other-than-temporary impairment related to limited liability investments, at fair value of zero for the three months ended September 30, 2023 and September 30, 2022, respectively ($0.1 million and less than $0.1 million for the nine months ended September 30, 2023 and September 30, 2022, respectively), which are included in gain on change in fair value of limited liability investments, at fair value in the consolidated statements of operations.
At September 30, 2023 and December 31, 2022 December 31, 2023, the gross unrealized losses for fixed maturities amounted to $2.5 million $1.7 million and $2.5 million $1.7 million, respectively, and there were no unrealized losses attributable to non-investment grade fixed maturities.

DEBT

The principal and carrying value of the Company's debt instruments at March 31, 2024 and December 31, 2023 are as follows:

(in thousands)	March 31, 2024		December 31, 2023	
	Principal	Carrying Value	Principal	Carrying Value
Bank loan:				
2021 Ravix Loan	$ 4,425	$ 4,425	$ 4,650	$ 4,650
2022 Ravix Loan	4,775	4,628	4,925	4,769
SNS Loan	5,017	4,942	5,142	5,063
DDI Loan	5,600	5,537	5,600	5,534
2020 KWH Loan	14,052	13,878	10,979	10,806
Total bank loans	33,869	33,410	31,296	30,822
Subordinated debt	15,000	13,651	15,000	13,594
Total	$ 48,869	$ 47,061	$ 46,296	$ 44,416

See Note 11, "Debt," to the unaudited consolidated interim financial statements Consolidated Financial Statements for a detailed discussion of the Company's debt instruments. Changes related to the Company's debt during the first quarter of 2024 are further details to those provided described below.

Bank Loans

In 2019, During the first quarter of 2024, the Company formed Kingsway Warranty Holdings LLC borrowed $3.5 million under the KWH Delayed Draw Term Loan ("KWH" DDTL"), whose subsidiaries at $0.5 million under 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 partially 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 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 September 30, 2023, the interest rate was 8.20%. 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 revolver 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 $10.0 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 $0.2 million 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. The Company did not draw down on the KWH DDTL during the nine months ended September 30, 2023.

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 has an annual interest rate equal to the greater of the Prime Rate plus 0.5%, or 3.75% (current rate of 9.00%) 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.

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 matures on November 16, 2028 and has an annual interest rate equal to the Prime Rate plus 0.75% (current rate of 9.25%) and is carried in the consolidated balance sheets at its unpaid principal balance. 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 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"). 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 9.00%) and is carried in the consolidated balance sheets 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. Revolver.

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.

Subordinated Debt

Between December 4, 2002 and December 16, 2003, six subsidiary trusts of At March 31, 2024 the Company issued $90.5 million of 30-year capital securities is in default under the SNS Loan due to third parties in separate private transactions. In each instance, a corresponding floating rate junior subordinated deferrable interest debenture was then issued by Kingsway America Inc. debt covenant violations related to the trust in exchange for the proceeds from the private sale. The floating rate debentures bore interest at the rate of LIBOR, plus spreads ranging from 3.85% to 4.20%. leverage and fixed charge rEffective 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. atios. The Company has received an amendment to the right to call each SNS Loan that waives the events of these securities at par value any time after five years from their issuance until their maturity.

On August 2, 2022, default for the Company entered into an agreement with a holder of four fiscal quarter ended March 31, 2024. As of the trust preferred debt instruments ("TruPs") that gave report date, there is some uncertainty as to whether the Company will be in compliance with the option covenants in future periods, and if not, when the Company will be able to repurchase up cure any potential violations. A default may permit the lender to 100% of declare the holder's principal amounts owed under the SNS Loan immediately due 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 agreed that any repurchase made 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 continued to accrue. However, payable, exercise their rights with respect to TruPs that were repurchased prior to collateral securing the May Termination Date, the amount of interest accrued during the term of the agreement was treated as an offset obligation, and/or exercise any other rights and reduced the repurchase price for such TruPs. The Company had no obligation to pay any such accrued interest with respect to any of the TruPs that are repurchased prior to the May Termination Date. remedies available.

The Company paid approximately $2.0 million to the holder for this option and the Company had until the May Termination Date to execute the repurchases. Given the Company repurchased an amount equal to or greater than $30.0 million, the $2.0 million paid was applied to the repurchases.

On September 20, 2022, the Company entered into an additional agreement with the same party to the August 2, 2022 agreement that 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. 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 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.

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 continued to accrue. However, with respect to TruPs that were repurchased prior to the May Termination Date, the amount of interest accrued during the term of the agreement was treated as an offset and reduce the repurchase price for such TruPs. The Company had 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 had until the May Termination Date to execute the repurchase. Given the Company repurchased the TruPs, the $0.3 million paid was applied to the repurchases.

In February 2023, the Company 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 that it intended to exercise its options to repurchase 100% of the principal. 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 the time 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 unaudited consolidated statement of operations for the nine months ended September 30, 2023. The gain on 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 sheet at the repurchase date. At September 30, 2023, the Company had $15.0 million of principal outstanding related to the remaining trust preferred debt instrument.

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 September 30, 2023 and December 31, 2022, deferred interest payable of zero and $25.5 million, respectively, is included in accrued expenses and other liabilities in the consolidated balance sheet.

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. *Subordinated Debt*

The Company's subordinated debt is measured and reported at fair value. At September 30, 2023 March 31, 2024, the carrying value of the subordinated debt is $12.6 million $13.7 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 21, 20, "Fair Value of Financial Instruments," to the unaudited consolidated interim financial statements.

During the nine months ended September 30, 2023, the market observable swap rates changed, and the Company experienced an increase 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 risk-free 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 the nine months ended September 30, 2023, along with the passage of time, contributed to a $0.9 million increase in fair value of the Company's subordinated debt between December 31, 2022 and September 30, 2023.

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 $15.0 million of the subordinated debt by the time of the stated redemption date of the remaining trust, which matures on May 22, 2033.

The $55.2Of the $0.1 million decrease in the Company's subordinated debt between December 31, 2022 and September 30, 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
- Anincrease of $1.2 million related to the change in fair value of the remaining trust preferred debt instrument between December 31, 2022 and September 30, 2023.

Of the $0.9 millionincrease in fair value of the Company's subordinated debt between December 31, 2022December 31, 2023 and September 30, 2023March 31, 2024, $0.7less than $0.1 million is reported as indecrease in fair value of debt attributable to instrument-specific credit risk in the Company's unaudited consolidated statements of comprehensive (loss) income and $0.2 0.1 million is reported as loss on change in fair value of debt in the Company's unaudited consolidated statements of operations.

The unaudited consolidated statements of comprehensive (loss) income for the nine months ended September 30, 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.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 4, "Recently Issued Accounting Standards," to the unaudited consolidated interim financial statements, for discussion of certain accounting standards that may be applicable to the Company's current and future consolidated financial statements.

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 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.

Cash Flows from Continuing Operations

During the ninethree months ended September 30, 2023March 31, 2024, the Company reported $9.6 million of net cash used in operating activities from continuing operations, primarily due to outflows related to the payment of management fees to the managers of Net Lease and Flowers ($1.8 million), an indemnity payment to the buyer of Mendota related to loss and loss adjustment expenses ($2.0 million) and payment of deferred interest on the remaining trust preferred debt instrument ($5.0 million); partially offset by gain on equity investments and operating income from the Extended Warranty and Kingsway Search Xcelerator segments. During the nine months ended September 30, 2022, the Company reported $4.9 0.2 million of net cash provided by operating activities from continuing operations, primarily due to operating income from the Extended Warranty and Kingsway Search Xcelerator segments.

During the nine three months ended September 30, 2023March 31, 2023, the Company reported $22.8 million of net cash provided by investing used in operating activities from continuing operations, was $16.7 million. This source primarily due to payment of cash is primarily attributed to distributions received by Net Lease from one deferred interest on the trust preferred debt instruments that were repurchased during the first quarter of its limited liability investment companies 2023 ($16.1 million), payment of $13.3 million, as well as proceeds from sales and maturities of fixed maturities and sales of equity securities in excess of purchases of fixed maturities and acquisition of business, net of cash acquired. During deferred interest on the nine months ended September 30, 2022remaining trust preferred debt instrument ($5.0 million), the net cash provided by investing activities from continuing operations was $33.6 million. This source of cash was primarily attributed to the net cash proceeds received, net of cash disposed of, from the sale of PWSC, of $35.2 million. This source of cash was partially offset by purchases of fixed maturities in excess of proceeds operating income from limited liability investments the Extended Warranty and from sales and maturities of fixed maturities. Kingsway Search Xcelerator segments.

During the three months ended March 31, 2024, the net cash used in investing activities from continuing operations was $0.2 million. This use of cash is primarily attributed to purchases of fixed maturities and property and equipment, net in excess of proceeds from sales and maturities of fixed maturities and sales of equity securities. During the three months ended March 31, 2023, the net cash provided by investing activities from continuing operations was $6.3 million. This source of cash was primarily attributed to a distribution received by Net Lease from one of its limited liability investment companies of $5.2 million, as well as proceeds from sales and maturities of fixed maturities in excess of purchases of fixed maturities.

During the nine three months ended September 30, 2023 March 31, 2024, the net cash provided by financing activities from continuing operations was $2.5 million. This source of cash was primarily attributed to principal proceeds from bank loans of $4.2 million, partially offset by principal repayment on bank loans of $1.6 million. During the three months ended March 31, 2023, the net cash used in financing activities from continuing operations was $55.1 40.9 million. This use of cash was primarily attributed to the repurchase of five of the TruPs for $56.5 million, $40.3 million, principal repayment on bank loans of $6.1 3.3 million and distributions to noncontrolling interest holders of $4.0 million and cash paid for repurchase of warrants of $4.0 3.6 million, partially offset by cash proceeds from the exercise of warrants of $6.3 million.$16.7 million. During the nine months ended September 30, 2022, the net cash used in financing activities from continuing operations was $6.6 million. This use of cash was attributed to principal repayment on bank loans of $5.0 million, principal repayments on the notes payable of $0.4 million and distributions to noncontrolling interest holders of $1.0 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 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. The Company is entitled to receive 75% of the 2022 excess cash flow in 2023, or $3.3 million. During the first quarter of 2023, the Company paid down the KWH 2020 Loan by $1.1 million. During 2022, the Company received $1.7 million and in March 2022 paid down the KWH 2020 Loan by $1.7 million.

The amount of excess cash flow 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%

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 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. 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. 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 $12.4 2.3 millionand $48.9 4.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 2023, 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 $20.2 million $12.1 million and $64.2 million $9.1 million reported at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, on the Company's consolidated balance sheets. The significant decrease is primarily due to the repurchase of the trust preferred debt during the first quarter of 2023.

The Company notes that it has an additional $10.0 million available from the second amendment to the 2020 KWH Loan (see Note 11, " Debt"), 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, 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are a smaller reporting company as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"); therefore, pursuant to Regulation S-K, we are not required to make disclosures under this Item.

Item 4. 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 Exchange Act as of September 30, 2023 March 31, 2024.

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 the evaluation of our disclosure controls and procedures, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2023 March 31, 2024, there were two control deficiencies in our internal control over financial reporting which constituted material weaknesses, and accordingly the Company's disclosure controls and procedures were not effective as a result of one unremediated material weakness in the 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 that was discovered during as defined in Rules 13a-15(f) and 15d-15(f) under the course 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 2018 external audit Treadway Commission (2013 framework), or COSO. Based on that evaluation and the discovery of the accounts, relating to errors described in the accounting for and disclosure following paragraphs, the Company's management has concluded that, as of certain complex and nonrecurring transactions as it specifically pertains to March 31, 2024, our internal control over financial reporting was not effective based on the adoption and application of ASU 2014-09, *Revenue from Contracts with Customers*. Not all COSO framework. We describe the material weaknesses necessarily present in the same risks from period to period as a result of differing events and transactions which have occurred or may occur in current and future periods. 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 and deferred interest on its subordinated debt as a cash outflow from operating activities (the entire repurchase amount was reviewed with the Company's Audit Committee. presented as a cash outflow from financing activities).

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, 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 unaudited consolidated financial statements contained in this Form 10-Q for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods fiscal years presented in conformity with U.S. GAAP.

Remediation Process of 2023Material Weakness

We have corrected all errors discovered during our review process for fiscal 2023.

In 2022, addition, the Company directed its internal audit department has developed the following plan of remediation:

A. *The Spreadsheet Calculation Error*. The Company will implement a policy whereby alterations to conduct a thorough 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 material revenue processes. The review is in its final stages, which has preliminarily indicated no material issues. transaction. The Company expects will modify its existing policy that requires it to use the final results of this review in 2023 consult with third party experts on significant and/or unusual transactions to implement a remediation plan for this final material weakness.

The actions explicitly state that the Company is taking are subject such consultations need to ongoing senior management review as well as Audit Committee oversight. The Company is committed to maintaining a strong internal control environment include all accounting aspects, including presentation and believes that these remediation efforts will represent significant improvements in its controls. disclosure.

Changes in Internal Control over Financial Reporting

On September 7, 2023, the Company acquired 100% of the outstanding equity interests of SPI. Since the date of this acquisition, 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, SPI 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 July 1, 2023 January 1, 2024, and ending September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting, except with respect to SPI. reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information concerning pending legal proceedings is incorporated herein by reference to Note 23, 22, "Commitments and Contingent Liabilities," to the unaudited consolidated interim financial statements in Part I of this Form 10-Q.

Item 1A. Risk Factors

There have been no material changes with respect to those risk factors previously disclosed in our 2022 2023 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the quarter ended September 30, 2023 March 31, 2024.

On March 21, 2023, the 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. On March 22, 2024, the Company entered into a one year extension of its existing share repurchase program. As amended, the share repurchase program will now expire on March 21, 2025. See Note 18, 17, "Shareholders' Equity," for further discussion of the share repurchase program.

The following table provides information about our repurchases repurchases of our securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 during the quarter ended September 30, 2023 March 31, 2024.

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)	
July 1 - 31, 2023	31,146	$	8.05	31,146	$	7,693
August 1 - 31, 2023 (a)	566,191	$	4.02	566,191	$	5,418
September 1- 30, 2023	31,250	$	8.05	31,250	$	5,167
Total	628,587	$	4.42	628,587		

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)
January 1 - 31, 2024	8,000	$	8.00	8,000	$	2,769
February 1 - 29, 2024	—		—	—	$	2,769
March 1- 31, 2024	—		—	—	$	2,769
Total	8,000	$	8.00	8,000		

(a) Includes the repurchase of 535,191 warrants.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None

Item 6. Exhibits

10.1	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).
10.2	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).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal 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 Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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 (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KINGSWAY FINANCIAL SERVICES INC.

Date:	November 7, 2023 May 8, 2024	By:	*/s/ John T. Fitzgerald*
			John T. Fitzgerald, President, Chief Executive Officer and Director
			(principal executive officer)
Date:	November 7, 2023 May 8, 2024	By:	*/s/ Kent A. Hansen*
			Kent A. Hansen, Chief Financial Officer and Executive Vice President
			(principal financial officer)

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-Q 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: November 7, 2023 May 8, 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-Q 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: November 7, 2023 May 8, 2024
By /s/ Kent A. Hansen
Kent A. Hansen, Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

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 Quarterly Report on Form 10-Q of Kingsway Financial Services Inc. (the “Company”) for the period ended September 30, 2023 March 31, 2024 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: November 7, 2023 May 8, 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 Quarterly Report on Form 10-Q of Kingsway Financial Services Inc. (the "Company") for the period ended September 30, 2023 March 31, 2024 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: November 7, 2023 May 8, 2024
By /s/ Kent A. Hansen
Kent A. Hansen, Chief Financial Officer and Executive Vice President
(Principal Financial Officer)

DISCLAIMER