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Interviews & News!

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Kingsway Financial Services Is Focused On Building Their Business To Be One Of The Leaders In Core Insurance Products For Automobile, Truck And Motorcycle Owners In North America



Financial

**Property & Casualty Insurance
(KFS-NYSE, KFS-TSX)**

Kingsway Financial Services Inc.

**7310 Hurontario, Suite 800
Mississauga, ON L5W 0A9 Canada
Phone: 905-629-7888**



**Mr. W. Shaun Jackson, CA (Canada)
President and CEO**

BIO:

Shaun started his career in the United Kingdom in 1978 and qualified as a chartered accountant in 1982. In 1985 he left the United Kingdom to join KPMG in Bermuda. As a senior manager he had responsibility for providing business advisory and audit services to insurers and reinsurers as well as a major local bank.

In 1989 Shaun transferred to the Insur-

ance and Financial Institutions Practice of KPMG Toronto. During his time at KPMG in Toronto, he specialized in advising clients in the Property and Casualty Insurance industry, as well as one of the major Canadian Banks.

In March 1995 he joined Kingsway Financial Services Inc. as Chief Financial Officer and in 1998 was appointed Executive Vice President of the company. January 1, 2008 he was appointed as President & Chief Executive Officer.

Whilst at Kingsway he has overseen the substantial growth in the company which included its initial public offering in December 1995 as well as several subsequent share and debt offerings and acquisitions of company's in Canada and the United States. Since joining Kingsway, Shaun has been involved in the acquisition of 12 insurance companies, and the formation of 2 captive reinsurance subsidiaries and an insurance agency in the United States.

Shaun is a Member of the Canadian Institute of Chartered Accountants (CA), a Fellow of the Institute of Chartered Accountants in England and Wales (FCA), and a member of the Chartered Institute of Taxation in the United Kingdom (CTA).

Shaun is married with 2 children and his other interests include squash, soccer and popular music.

Company Profile:

Kingsway Financial Services Inc. is one of the largest truck insurers and non-standard automobile insurers in North America based on A.M. Best data that

Kingsway has compiled. Kingsway's primary business is trucking insurance and the insuring of automobile risks for drivers who do not meet the criteria for coverage by standard automobile insurers. The Company currently operates through thirteen wholly-owned insurance subsidiaries in Canada and the U.S.. Canadian subsidiaries include Kingsway General Insurance Company, York Fire & Casualty Insurance Company and Jevco Insurance Company. U.S. subsidiaries include Universal Casualty Company, American Service Insurance Company, Southern United Fire Insurance Company, Lincoln General Insurance Company, U.S. Security Insurance Company, American Country Insurance Company, Zephyr Insurance Company, Mendota Insurance Company, Mendakota Insurance Company and Avalon Risk Management, Inc. The Company also operates reinsurance subsidiaries in Barbados and Bermuda.

**Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com**

CEOCFO: Mr. Jackson, you have had a long history with Kingsway but you are new to the CEO position; what is your vision for Kingsway today?

Mr. Jackson: "Our vision is to continue to build the company and for Kingsway to be one of the leaders in core insurance products in North America. Those products are primarily automobile and trucking insurance and also motorcycle insurance. In addition we want to deliver a very high return on equity for our shareholders going forward."

CEOCFO: How do you grow the business?

Mr. Jackson: “Our growth plan is two-fold. First organically; we own eleven insurance companies in North America, three in Canada and eight in the United States, so we have a very extensive distribution platform in which to base that organic growth. We anticipate that this will be the primary source of our growth in 2008 and into 2009, but we have also been a company that has been acquisitive. We have acquired ten of those eleven companies and that has been another way that we have grown our business and we expect that we will continue to do that in an opportunistic manner in the future.”

CEOCFO: Why are people using Kingsway for their insurance?

Mr. Jackson: “It is relationships, and in particular the close relationships that we have formed with our business partners. We operate through a group of regionalized companies that are close to their local markets so they have formed close relationships with the business partners in those particular markets as opposed to having one consolidated operation. In our primary markets it is very important that we have that close association with our business partners.”

CEOCFO: Is the segment you are in very competitive?

Mr. Jackson: “It is competitive but not as competitive as other types of property and casualty insurance. We are looking for markets in these products where we have a core expertise or core competency or where we can acquire it. We are also looking for new markets that are underserved so that we can get the appropriate premium for the risk that we are taking. We are trying to avoid overly competitive marketplaces.”

CEOCFO: Are there any changes in the insurance industry?

Mr. Jackson: “Technology is very interesting; we are very much in the information business so for any business that is heavily reliant on information, technology will be important. Certainly, technology is playing a big part in our business; it can create efficiencies if it is used effectively. That is one of the primary changes in the industry over the last few

years, particularly, the speed of which we can communicate with our business partners and the ways in which we can make their operations more efficient.”

CEOCFO: How do you oversee your companies efficiently so that they are conducting business the way they should be and getting the results you want when they are scattered geographically?

Mr. Jackson: “The importance is communication between the companies and ensuring that you select the right management teams to run the individual businesses. That is critical, having the right people in the right positions. You must then ensure that there is very regular communications between management of the operating companies and the executive management at the holding company. Over years, we have managed to do a good job of that. We have not always gotten it right, and there have been

“Our vision is to continue to build the company and for Kingsway to be one of the leaders in core insurance products in North America. Those products are primarily automobile and trucking insurance and also motorcycle insurance. In addition we want to deliver a very high return on equity for our shareholders going forward.” - Mr. W. Shaun Jackson, CA (Canada)

situations where we have made mistakes in the past but overall our business model has worked well.”

CEOCFO: Does a downturn in the economy have big effect on your industry?

Mr. Jackson: “It can have marginal effects on different things but overall people still have to buy insurance, in a recession they may drive less, use their car less, so that can have an impact on frequency. You also seem to see more exaggerated claims and fraudulent claim activity when you have a downturn in the economy. However, generally our industry is not heavily influenced by the overall economy. In my view, the factors that drive the cycles in our business are more related to the availability of capital in our industry and the regulatory environment in which companies operate.”

CEOCFO: Are many companies looking to get into the nonstandard area?

Mr. Jackson: “For many of the larger companies in the states, particularly the Progressives and Allstates of the world, non-standard automobile insurance has become just one part of their suite of automobile products. With the customers that they deal with, many of them become a standard risk so they capture that business relationship and keep it whether it be a standard risk or non-standard risk. Our particular niche is people who fall below the threshold that one of the larger companies would not be interested in typically. Our customers typically buy insurance at minimal policy limits in their particular state, and that niche is underserved. It is competitive but companies we typically compete with are much smaller regional companies that operate with a single product in a single state. I think we are a much larger consolidated group so although our subsidiary company is operating in a local market they have the strength of being part of a large group.”

CEOCFO: What is the financial picture like for Kingsway?

Mr. Jackson: “Our 2007 results were the worst year in our history and we reported a loss for a year and that was primarily as a result of reserve increases that we thought were

necessary at one of our subsidiary companies. As we put that behind us, we start 2008 with shareholders equity of over \$900 million, we have approximately \$1.2 billion of capital invested in our insurance operating companies and our net premiums written were approximately \$1.8 billion. So the \$1.8 billion in premiums compared to our surplus is an average ratio of about 1.5 to 1, which is a very conservative ratio when you compare the many other companies that are writing similar business. When you compare it to our insurance leverage ratio several years ago where we were close to 3 to 1 as opposed to 1.5 to 1, even considering the large reserve increases last year, we are in a good position. On the asset side of our balance sheet, we have an investment portfolio that is in excess \$3.5 billion dollars and very conservatively managed, with very little exposure to these asset backed securities, and collateral debt obligations which are creating a lot

of concern in the financial service industry right now. We are in a strong capital position: we have a very strong balance sheet despite absorbing a large loss from one of our subsidiary companies.”

CEOCFO: Does the investment community recognize the potential?

Mr. Jackson: “I don’t think they do at this point. The investment community has been disappointed with the results of Kingsway in 2007 and they are waiting for us to demonstrate that have put the past behind us. With the change at the CEO position, they are looking for me to provide comfort to the market that we

have in fact put these issues behind us and we are ready to move the company forward. I think once the market is comfortable with that I would expect to see confidence in our performance in the market.”

CEOCFO: What else should potential investors know, and why should they be seriously looking at Kingsway today?

Mr. Jackson: “We have a good track record of growth and book value per share despite the reserve increase that we took in 2007; we have grown our book value per share over the last five-year period a compound annual growth of

about sixteen percent. That is a very solid return for our shareholders and at this point in time the company is trading below its book value so I think it offers very good potential to see appreciation in the share evaluation once we demonstrate to the market that we put this issue behind us.”

CEOCFO: As it indicates on your website, “it is a time for opportunity.”

Mr. Jackson: “It is a time of opportunity. 2008 should be a much better year than 2007 and we are looking forward very much to the future.”



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