

**John H Love**

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**From:** John Love [john.love@welove.com]  
**Sent:** Tuesday, March 10, 2009 7:27 PM  
**To:** John H Love  
**Subject:** WEL Broker News - Market Report

## WEL Broker News Market Report

February 16th, 2009 Number 2



**Dear John,**

Never have we lived in such dramatic times for all financial industry. As capital evaporates and rates drop along with asset values, certainly market conditions seem poised for an up-tick in pricing. Who is going to jump first?

Below we relay the public news about Lincoln General Insurance Company which touts itself "the leading specialty transportation-related insurer in the United States."

### **Kingsway Issues Profit Warning & Expects Record Quarter 4 Loss**

*Looking at strategic alternatives in connection with the Pennsylvania Insurance Department relative to the future of Lincoln General*  
 February 09, 2009

Kingsway Financial Services Inc. will report report a material loss in the fourth quarter of 2008 when it officially announces results on February 20. In explaining the projected loss, the Canadian insurer blamed, in part, underwriting losses at subsidiary Lincoln General Insurance Company. Kingsway expects to record an underwriting loss of about \$80 million at Lincoln in the fourth quarter, reflecting increased provisions for estimated unpaid claim reserves. As Lincoln terminated unprofitable programs and exited noncore lines of business throughout 2008, written premiums at the unit declined by \$347 million, or 43%. Additionally, Kingsway determined that, due to this underwriting loss and other factors, the goodwill asset will be impaired and a further valuation allowance will be recorded against the future tax asset. These noncash charges are expected to be between \$184 million and \$204 million. Kingsway will also report a net realized loss on its investments of about \$114 million for the quarter, and the total net loss for the quarter is expected to be between \$324 million and \$344 million, or about \$5.88 to \$6.24 per share.

### **Activist calls for changes at Kingsway**

February 11, 2009

James Daw Business Columnist

An activist investor is pushing Kingsway Financial Services Inc. of Mississauga away from insuring truckers, motorcyclists and California artisans. Joseph Stilwell of New York announced yesterday "in the wake of Kingsway anticipating a huge loss in 2008" that the company will sell or shrink all but its original business of insuring bad drivers. The head of The Stilwell Group, which now owns 9 per cent of Kingsway shares, said he has reached an agreement to have more company directors resign and be replaced at Kingsway's annual meeting in April.

## A.M. Best Downgrades Ratings of Kingsway Financial Services Inc. and Several Operating Subsidiaries; Places Ratings Under Review With Negative Implications

February 13, 2009

Oldwick, NJ

A.M. Best Co. has downgraded the issuer credit ratings (ICR) and senior debt ratings to "b-" from "b" of Kingsway Financial Services Inc. (KFSI) (Mississauga, Ontario) and Kingsway America Inc. (KAI) (Elk Grove Village, IL). In addition, A.M. Best has downgraded the financial strength rating (FSR) to B (Fair) from B+ (Good) and the ICRs to "bb" from "bbb-" of several KFSI wholly-owned property/casualty and reinsurance subsidiaries. All ratings have been placed under review with negative implications.

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Sincerely,

John H. Love  
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