QUEENSWAY FINANCIAL HOLDINGS LIMITED

MATERIAL CHANGE REPORT

Item 1 - Reporting Issuer

Queensway Financial Holdings Limited (“Queensway”)
90 Adelaide Street West
Suite 500
Toronto, Ontario
M5H 3V9

Item 2 - Date of Material Change

January 3, 2001

Item 3 - Press Release

A copy of the press release issued on January 3, 2001 is attached to this material change report.

Item 4 - Summary of Material Change

On January 3, 2001, Queensway announced that as a result of a cash shortfall it was unable to pay the $3.7 million senior debt principal payment due on December 31, 2000.

Item 5 - Full Description of Material Change

A full description of the material change is set forth in the attached press release.

Item 6 - Confidentiality

Not applicable.

Item 7 - Omitted Information

Not applicable

Item 8 - Senior Officer

The following senior officer of Queensway is knowledgeable about the material change and this report:

Harold J. Meloche
Chief Financial Officer and Vice President
Tel: (416) 955-0244

Item 9 - Statement of Senior Officer

The foregoing accurately discloses the material change referred to herein.

DATED at Toronto, Ontario, this 4th day of January, 2001.

QUEENSWAY FINANCIAL HOLDINGS LIMITED

"Harold J. Meloche"

Harold J. Meloche
Chief Financial Officer and Vice President

QUEENSWAY FINANCIAL HOLDINGS LIMITED

TSE SYMBOL: “QFH”

TORONTO, January 3, 2001/CNN/QUEENSWAY FINANCIAL HOLDINGS LIMITED (“Queensway”) announced that as a result of a cash shortfall it was unable to pay the $3.7 million senior debt principal payment due on December 31, 2000.

Queensway is expecting that Trilon Financial Corporation, one of its senior lenders, will complete its due diligence within two weeks regarding a new demand loan facility which would provide the funding of the principal payment that was due on December 31, 2000.

Management continues to pursue alternative means of extending, refinancing or repaying the senior debt facility due February 1, 2001. These alternatives include the sale of certain assets, and various debt and/or equity financing transactions.

Queensway Financial Holdings Limited is a specialty insurance group that provides a range of individual and commercial insurance coverages. Queensway operates through a number of subsidiaries located in the United States and Canada.

For further information, please contact:

Harold J. Meloche
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Queensway Financial Holdings Limited
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