

FOR IMMEDIATE RELEASE - FEBRUARY 29, 1996

TSE SYMBOL: KFS

KINGSWAY REPORTS ACQUISITION OF YORK FIRE & CASUALTY

Toronto, Ontario. Kingsway Financial Services Inc. ("Kingsway") today announced the successful acquisition of all of the outstanding shares of York Fire & Casualty Insurance Company ("York") from Highbourne Capital Corporation ("Highbourne").

"The acquisition of York provides Kingsway with the opportunity for larger growth for 1996 than contemplated in our forecast in the initial public offering prospectus", said Bill Star, President and Chief Executive Officer.

The purchase price, which is expected to be approximately \$6.4 million is based on the adjusted Regulatory Capital of York as at December 31, 1995. The policy liabilities (unpaid claims, unearned premiums, deferred acquisition costs and premium deficiencies) at December 31, 1995 will be re-evaluated as of December 31, 1996 and December 31, 1997, based on experience to those dates. As a result the purchase price of York may be adjusted as of each of these dates.

At closing, Kingsway paid \$1.5 million and issued 64,100 Common Shares valued at \$10 per share for an aggregate value equal to one-third of the expected purchase price. Highbourne also received a Warrant which enables it to purchase up to 450,000 Common Shares valued at \$10 each. The number of shares that Highbourne can purchase will be based on the difference between the re-evaluated purchase price determined as of December 31, 1996 and December 31, 1997 and the amounts paid at the closing. Should the balance due to Highbourne at February 28, 1998 exceed the shares to be issued under the Warrant, the balance will be paid to Highbourne in cash within 30 days of February 28, 1998.

Gross premiums written by York for the year ended December 31, 1995 were \$45.8 million compared to \$33.0 million in 1994. York's net earned premiums for 1995 were \$22.0 million compared to \$19.0 million in 1994. At December 31, 1995 York had total assets of \$38.8 million and shareholder's equity of \$5.5 million.

Gross premiums written by Kingsway for the year ended December 31, 1995 were \$60.0 million compared to \$55.6 million in 1994. Kingsway's net earned premiums for 1995 were \$46.1 million compared to \$42.4 million in 1994. At December 31, 1995 Kingsway had total assets of \$87.8 million and shareholder's equity of \$36.7 million.

Bill Star has been appointed President and Director of York and Eileen Lascelles appointed Vice President and General Manager. Shaun Jackson, Steven Smith and Roger Wingfield were appointed Directors of York.

Following its successful initial public offering, Kingsway Financial Services Inc. began trading on the Toronto Stock Exchange in December 1995 with the trading symbol 'KFS'. The Company is a Specialty Insurer whose primary business is the insuring of automobile risks for drivers who do not meet the criteria for coverage by insurers in the standard market. The Company also operates in the commercial automobile, property and other specialty markets.

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