



Kingsway Financial Services Inc.

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TSE SYMBOL: KFS

KINGSWAY EXCEEDS FORECAST WITH SIX MONTHS EARNINGS OF \$4,810,000

Toronto, Ontario. Kingsway Financial Services Inc. today announced its results for the three and six month periods ended June 30, 1996.

For the second quarter, the Company reported consolidated net income of \$3,218,000, which exceeded forecast earnings of \$1,737,000 and 1995 second quarter earnings of \$1,258,000. The company reported consolidated net income of \$4,810,000 for the first six months of 1996, exceeding forecast earnings of \$2,972,000 and 1995 first half earnings of \$1,807,000.

Earnings per common share were 64 cents for the quarter on 5,060,600 shares, the weighted average number outstanding. This exceeded forecast earnings of 36 cents per share for the second quarter contained in the Company's initial public offering prospectus, and 42 cents for the second quarter of 1995, based on 4,816,500 shares and 3,000,000 shares outstanding, respectively. Earnings per share for the first six months of 1996 were 96 cents (on 5,025,600 shares), compared to the 1996 forecast of 62 cents (on 4,816,500 shares) and the first half of 1995 of 60 cents (on 3,000,000 shares).

Fully diluted earnings per share were 59 cents (on 5,518,500 shares) for the quarter compared to the forecast of 36 cents (on 4,881,000 shares) and 1995 first quarter earnings of 42 cents (on 3,000,000 shares). Fully diluted earnings per share for the first six months of 1996 were 90 cents (on 5,353,800 shares), compared to the 1996 forecast of 61 cents (on 4,881,000 shares) and the first half of 1995 of 60 cents (on 3,000,000 shares).

"The results for the second quarter were excellent," said Bill Star, President and Chief Executive Officer. "Our experience on automobile business, particularly in Ontario, is improving as expected. We are aggressively increasing our writings in Ontario in anticipation of the improvements that we foresee under the new plan, which should be introduced by November 1. Kingsway General's results were excellent, and the York acquisition is proving to be very favorable for us. We will continue to pursue other acquisitions in Canada as suitable opportunities arise".

Gross premiums written for the quarter ended June 30, 1996 were \$39,097,000, which exceeded the forecast for the quarter of \$24,575,000, and \$16,000,000 for the second quarter of 1995. Gross premiums written for the quarter include \$ 8,870,000 (\$11,418,000 year to date) written by York Fire which were not included in the 1996 forecast or in the prior year amounts. Gross premiums written for the six months ended June 30, 1996 were \$60,953,000, which exceeded the forecast for the quarter of \$45,000,000, and \$26,569,000 for the first six months of 1995.

Net premiums written were \$35,760,000 for the quarter which exceeded the forecast of \$20,007,000 for the quarter and \$13,469,000 for the second quarter of 1995. Net premiums written for the quarter include \$8,295,000 written by York.

Net earned premiums for the second quarter were \$27,377,000 (\$43,032,000 year to date) which exceeded the forecast of \$18,020,000 for the quarter (\$34,098,000 year to date), and \$11,117,000 for the second quarter (\$21,731,000 year to date) of 1995. York's net premiums earned for the quarter amounted to \$8,708,000 (\$10,270,000 year to date).

The claims ratio for the second quarter was 61.1% (62.4% year to date), which was better than the forecast of 64.9% (65.9% year to date) and the claims ratio of 62.0% (65.3% year to date) reported in the second quarter of 1995. The combined ratio for the quarter was 91.3% (92.3% year to date) which was better than the forecast of 92.0% (93.3% year to date) and comparable with the 91.3% for the second quarter of 1995.

Underwriting profit was \$2,385,000 for the quarter, which exceeded the forecast of \$1,440,000 and the underwriting profit of \$964,000 reported in the second quarter of 1995. Underwriting profit for the first six months was \$3,331,000, exceeding the 1996 first half forecast of \$2,332,000 and \$1,052,000 for the first half of 1995.

York Fire contributed earnings of \$1,174,000 (\$1,436,000 year to date) or 23 cents per share (28 cents year to date) to the results for the quarter. The restructuring of York's reinsurance program, as well as initiatives taken in the area of claims management have improved the profitability of York. The York earnings for the quarter include a benefit of \$958,000 from the restructuring of its reinsurance program, and a charge of \$641,000 for the commutation of a management contract. Neither of these items will recur in future quarters.

With the substantial growth that the Kingsway has experienced, and with the acquisition of York, the existing office space was inadequate for its needs. On June 18th, 1996 the company acquired the property at 5310 Explorer Drive, Mississauga which will be the new corporate office for all group companies. The property comprises over 73,000 square feet and was purchased for \$2,900,000. The company expects to realize a gain in the fourth quarter from the sale of its premises at McAdam Road which is expected to close on October 1. The company's premises at Traders Boulevard have been leased until the end of 1997.

Kingsway Financial Services Inc.'s shares are listed on the Toronto Stock Exchange under the trading symbol 'KFS'. The Company operates through two wholly owned insurance subsidiaries, Kingsway General Insurance Company and York Fire & Casualty Insurance Company. Kingsway's primary business is the insuring of automobile risks for drivers who do not meet the criteria for coverage by insurers in the standard market as well as commercial automobile, property and other specialty insurance products. Kingsway is licensed and operates in every province in Canada. York is licensed and operates in Ontario offering traditional property and casualty insurance products including specialty programs such as the Abstainers Program.

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