



Kingsway Financial Services Inc.

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TSE SYMBOL: KFS

KINGSWAY REPORTS STRONG INCREASE IN NINE MONTHS EARNINGS

Toronto, Ontario. Kingsway Financial Services Inc. today announced its results for the three and nine month periods ended September 30, 1996. Earnings for the third quarter and for the year to date exceeded both the 1996 forecast (from the Company's IPO prospectus dated December 1995) and the comparative periods in 1995.

For the third quarter, consolidated net income was \$2,459,000, which exceeded forecast earnings of \$1,846,000 and 1995 third quarter earnings of \$749,000. Consolidated net income was \$7,269,000 for the first nine months of 1996, exceeding forecast earnings of \$4,818,000 and 1995 nine month earnings of \$2,556,000.

Earnings per common share (basic) were 24 cents for the quarter on 10,121,200 shares, the weighted average number outstanding. This exceeded forecast earnings of 19 cents per share for the 1996 third quarter (based on 9,633,000 shares), and 13 cents for the third quarter of 1995, (based on 6,000,000 shares). Earnings per share for the first nine months of 1996 were 72 cents (on 10,073,400 shares), compared to the 1996 forecast of 50 cents (on 9,633,000 shares) and the first nine months of 1995 of 43 cents (on 6,000,000 shares).

Fully diluted earnings per share were 23 cents (on 10,842,200 shares) for the quarter compared to the forecast of 19 cents (on 9,762,000 shares) and 1995 third quarter earnings of 13 cents (on 6,000,000 shares). Fully diluted earnings per share for the first nine months of 1996 were 68 cents (on 10,629,400 shares), compared to the 1996 forecast of 49 cents (on 9,762,000 shares) and the first nine months of 1995 of 43 cents (on 6,000,000 shares).

On an annualized basis, return on equity was 20.3% for the quarter (21.6% year to date) which exceeded the forecast of 18.2% for the quarter (16.5% year to date) and 15.9% (19.0% year to date) for the third quarter of 1995. Book value per share increased to \$4.82 at September 30, 1996 which is an annualized increase of 35.5% for 1996.

"We are pleased with the results for the quarter," said Bill Star, President and Chief Executive Officer. "We continue to experience better than forecast growth in our business and we are continuing to pursue new opportunities. The successful completion of our recent share offering will provide the financing we need for our growth plans".

Gross premiums written for the quarter ended September 30, 1996 were \$41,881,000, which exceeded the forecast for the quarter of \$25,575,000, and \$14,172,000 reported in the third quarter of 1995. Gross premiums written for the quarter include \$9,654,000 (\$21,072,000 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 nine months ended September 30, 1996 were \$102,834,000, which exceeded the forecast of \$69,725,000, and \$40,741,000 reported in the first nine months of 1995.

Net premiums written were \$38,016,000 for the quarter (\$100,112,000 year to date) which exceeded the forecast of \$21,581,000 (\$58,782,000 year to date) and the \$12,107,000 (\$34,077,000 year to date) for the third quarter of 1995. Net premiums written for the quarter included \$9,241,000 written by York (\$25,903,000 year to date).

Net earned premiums for the third quarter were \$31,005,000 (\$74,037,000 year to date) which exceeded the forecast of \$17,658,000 for the quarter (\$52,556,000 year to date), and \$11,575,000 for the third quarter (\$33,306,000 year to date) of 1995. York's net premiums earned for the quarter amounted to \$8,530,000 (\$18,800,000 year to date).

The claims ratio for the third quarter was 62.1% (62.3% year to date), which was better than the forecast of 65.1% (65.6% year to date) and the claims ratio of 73.0% (67.9% year to date) reported in the third quarter of 1995. The combined ratio for the quarter was 93.1% (92.6% year to date) compared to the forecast of 92.4% (93.0% year to date) and the 100.9% for the third quarter of 1995 (97.1% year to date).

Underwriting profit was \$2,142,000 for the quarter, which was better than the forecast of \$1,339,000 and the underwriting loss of \$99,000 reported in the third quarter of 1995. The underwriting loss in the third quarter of 1995 was as a result of reserve strengthening prior to the company's initial public offering. Underwriting profit for the first nine months was \$5,473,000, exceeding the 1996 first nine month forecast of \$3,671,000 and \$953,000 reported in the first nine months of 1995.

York Fire reported a loss of \$549,000 (\$1,066,000 profit year to date) or a 5 cent loss per share (earnings of 11 cents year to date) for the third quarter of 1996. York experienced adverse development on outstanding claims in the quarter, and as a result strengthened its loss reserves, including \$1,355,000 relating to 1995 and prior accident years. As a result of the protection provided to Kingsway under the agreement to purchase York, the expected purchase price for York is reduced. As a result the liability under the Share Warrant was reduced by \$1,428,000 in the quarter.

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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