BILL STAR

CHAIRMAN, PRESIDENT & CEO

KINGSWAY FINANCIAL

Thank you Jim. Now that the formal part of the meeting is over, Shaun, Jim and I would like to take this opportunity to review 1998 and discuss our outlook for 1999. We would be pleased to answer any questions at the conclusion of our presentation.

1998 was an outstanding year for profitability and growth. Kingsway has come a long way since going public in December 1995. Our assets have grown from about $96 million in 1995 to over $1 billion in ’98. Premiums written have grown from approximately $60 million in ‘95, to well over a half billion dollars in ‘98 if you include the 1998 pro-forma results of Hamilton and Walshire.

1998 was perhaps the most significant year in our development. We nearly doubled the size of our company with four acquisitions in the U.S. in 1998 and one in January 1999 and we created Kingsway America, a holding company for our U.S. operations.

We also established Avalon Risk Management, an agency operation based out of Schaumburg, Illinois, whose primary business is the servicing of transportation and logistics companies throughout the United States; and Kingsway Reinsurance, our reinsurance subsidiary in Barbados, which we will use to retain more of the business written by our U.S. operations. In early 1999, we created a reinsurance subsidiary for our Canadian operations, Kingsway Reinsurance (Bermuda) Ltd.

The strength of our company is our people, and I would like to introduce some of our key people that are here today. These experienced and skilled insurance professionals are the reason why we have such a strong and profitable company.

Bill to read from list

It is a real privilege to introduce these highly skilled insurance professionals who have tremendous experience and knowledge in the strategic geographic markets in which we now operate. It is through their knowledge and expertise, along with all of our Kingsway employees, that we will continue to grow.

Our acquisitions in 1998 and early 1999 have greatly expanded Kingsway’s geographic coverage and diversified our operations. This means greatly increased growth potential. The Kingsway group is now licensed to operate in 40 states in the U.S., as well as all provinces and territories in Canada.

What I find particularly rewarding about 1998 is that, while doubling the size of the Company, we managed to substantially increase profit for the Kingsway group. We reported an underwriting profit in our first year of operations in the United States, which demonstrates our ability to acquire and operate profitable niche insurance companies. The U.S. market offers tremendous opportunities for both growth and profit.

We managed to achieve these results, despite difficult insurance markets, because of our focus on specialty niche markets and our disciplined approach to business. We have developed a record of consistently outperforming the industry because we emphasize profit, not volume.

For many insurance companies, profitability deteriorated in 1998. Most insurance companies do not produce an underwriting profit. Rather, they write business at a loss and count on investment income to offset their underwriting losses. In 1998, excessive competition in many markets led to irrational pricing, increasing the underwriting losses for most companies.

What differentiates us from the industry is our operating strategy, which is based on positive underwriting margins and conservative investment policies. 1998 marked our ninth consecutive year of underwriting profit, an achievement that is virtually unparalleled in the Canadian insurance industry.

1998 was a challenging year for many Canadian insurers. Though we are not like most insurers, we did face an unusual amount of competition in our specialty markets, particularly in Ontario, where many companies competed for business at inadequate rates.

As their bottom line continues to deteriorate, we feel these companies will realize how unprofitable it is to do business at such low rates, and as prices increase we will resume growing our business in Ontario.

Turning to our Canadian subsidiaries…

Kingsway General managed to maintain profitability in this tough climate and still managed to write over $140 million in business in 1998. During the year, Kingsway General emerged as the primary supplier of non-standard automobile insurance in Alberta and one of the largest suppliers of motorcycle insurance in Canada, second only to Jevco. Combined, the two companies have 40 percent of insured motorcycles in Canada.

We are extremely pleased with the progress we have made in both Alberta and Quebec since opening offices in these provinces. Our automobile business in Alberta has grown to a far greater size than Ontario, and we have been able to convert Alberta to a full-service branch with the introduction of our new computer system. We expect to continue growing our market share in both Alberta and Quebec in 1999.

This year Kingsway General also plans to expand its commercial automobile business, while introducing its long-haul trucking business in Alberta and the Atlantic provinces.

York Fire had another strong year in 1998, increasing direct premiums by 11 percent to $35.3 million. As a result of industry consolidation, York was able to appoint new brokers, bringing its total number of independent brokers in Ontario to 200. The Company also successfully converted to a new in-house computer system.

With new brokers, and with the enhanced broker incentive programs, York is now experiencing a substantial increase in premium income.

1999 is also shaping up to be an outstanding year for *Jevco*. In ‘98, Jevco solidified its position as the country’s largest motorcycle insurer, and made significant headway introducing new products through its network of 2,900 brokers across Canada. Jevco also withdrew from the unprofitable professional liability market, and as a result, gross premiums decreased 11 percent to $32.8 million.

The Company plans to build on its ‘98 efforts and grow its share of the motorcycle and recreational vehicle markets through more aggressive marketing in ‘99.

As many of you know, Kingsway has a unique acquisition strategy. While many insurance groups acquire companies and integrate them into their existing operations, our goal is to look for companies with strong performance and a solid management team, and to let these companies operate as self-sufficient entities under the Kingsway Group. We provide the capital to help them achieve their growth potential.

The companies we have acquired all met these criteria and we feel that the management experience we acquired will greatly benefit the entire Kingsway group. Kingsway has truly developed into a North American company, and our acquisitions have given us a strong base from which to grow our U.S. operations.

I’d now like to hand the meeting back to Jim to review our U.S. companies and discuss our plans for growth in the U.S., after which Shaun will go over our

financial results.

JIM ZUHLKE

PRESIDENT & CEO

KINGSWAY AMERICA INC.

Thanks Bill and good afternoon everyone. As Bill had mentioned at the outset of the presentation, Kingsway significantly expanded its operations in 1998, forming Kingsway America and acquiring five companies in the U.S. in ‘98 and early ‘99.

Kingsway America handles the financial reporting, planning, and administration for Kingsway’s U.S. operations. Our overriding objective for 1999 is to improve underwriting profitability. We will continue to implement Kingsway’s disciplined operating strategy, terminating unprofitable lines where necessary to focus on profitable business.

We will also capitalize on internal growth opportunities in 1999. Though the companies in the Kingsway group operate independently, there is potential for synergies between the companies. Most important, we are able to introduce successful insurance products to other companies within the group.

In fact, we are already working on programs to introduce Kingsway’s motorcycle product to Southern United, Hamilton Investments and Universal Casualty, and we expect that it will be well accepted.

In addition, we intend to manage the investment portfolio and purchase reinsurance coverage on a centralised basis to obtain economies of scale.

I’d like to take you through each of our U.S. subsidiaries and quickly mention the important developments from 1998 and objectives for 1999.

First, *Universal Casualty*. Universal Casualty is the fifth largest underwriter of non-standard automobile insurance in the Chicago market. Universal wrote U.S. $44 million in gross premiums in ‘98. In ‘99, Universal plans to expand into motorcycle and commercial automobile insurance programs.

1998 was a strong year for *American Service*, which is the sixth largest underwriter of non-standard automobile insurance in the Chicago area. During the year, American Service maintained its market share in the important Chicago market, while increasing gross premiums to almost U.S. $44 million. The Company also expanded into Indiana, introduced commercial coverage to the Illinois market, and successfully launched a new suburban taxi-cab program.

1999 promises to be another strong year, as American Service will target the non-metropolitan areas of Illinois, and enter the non-standard markets in Missouri and Wisconsin.

Collectively, Universal and American Service are the second largest writer of non-standard automobile insurance in the metropolitan Chicago market, with a market share of approximately 20%.

Southern United is a non-standard automobile insurance company, incorporated in Alabama, and licensed in six states, including Alabama, Louisiana, Georgia, Mississippi, Texas and South Carolina. Southern United wrote U.S. $53 million in gross premiums in ‘98, down from U.S. $72 million in ‘97, as the Company reduced activity in certain unprofitable territories, while implementing rate increases in others.

In ‘99, Southern United will work on improving the profitability of its book of business. The Company will also launch a new motorcycle product, expand into South Carolina and continue to grow its share of the Texas market.

Walshire Assurance Company is an insurance holding company, headquartered in York, Pennsylvania. Through Lincoln General, Walshire provides commercial property and casualty insurance coverage primarily to the trucking industry. Lincoln is licensed in 39 states, and wrote U.S. $44 million in premiums in 1998. Lincoln also focused on improving the profitability of its book of business, and as a result, the Company did not renew many of its larger fleet accounts in favour of more profitable business in the smaller trucking market.

The Company will continue to focus on the more profitable owner-operator and smaller fleet trucking risks in ‘99. With 39 state licenses, we feel Lincoln will become a major contributor to premium growth and it will also provide a platform for the introduction of non-standard automobile and motorcycle insurance into new markets. This was an important factor in our decision to acquire Walshire.

The newest member of the Kingsway group is *Hamilton Investments*, which was acquired earlier this year. Hamilton is a holding company that owns all of the shares of five different companies, including U.S. Security Insurance Company and Appco Finance. Its principal lines of business are non-standard automobile and flood insurance. The Hamilton group wrote U.S. $40 million in gross premiums in ‘98.

In ‘99, Hamilton plans to increase premium volume and expand its premium financing. The Hamilton acquisition provides Kingsway with access to the large and growing Florida market.

Shaun will now review the financial performance of the Company.

SHAUN JACKSON

EXECUTIVE VP & CFO

KINGSWAY FINANCIAL

Thanks Jim and good afternoon everyone. I’d like to look first at the results for the Kingsway group as a whole, then we’ll briefly look at some segmented numbers for our Canadian and U.S. operations.

First, let’s take a look at gross premiums. When we first became a public company at the end of 1995, gross premiums written were $60 million. By ‘98, gross premiums written were $409 million – an increase of over 580%. 1998 proforma gross premiums, which include the results of Hamilton and Walshire amount to $533 million, almost 9 times the 1995 level.

We have also seen substantial growth in net premiums earned since 1995, which have increased almost seven-fold from $46 million to $315 million in 1998.

The difference between net premiums earned and gross premiums is what is ceded to third-party reinsurers. As we transfer more of this business to our new reinsurance subsidiaries in ‘99, the percentage of net premiums earned to gross premiums should increase substantially.

This means that we have significant internal growth "built in" for 1999. In 1998, we retained approximately 78 percent of the gross premiums written. In ‘99, this number should approach 90 percent of a much larger premium base.

Looking first at net income, we see that at the end of 1995, net income was $3.8 million. This grew to $31 million in ‘98, an increase of 8 times over the ‘95 level.

Income before tax grew even more – to $51.4 million in ‘98 from $6.4 million in ‘95.

"Built-in growth" in net income will also result from a declining overall tax rate. We anticipate an increasing percentage of our business will originate from the United States and Barbados, where – as I’m sure you’re aware – tax rates are lower.

Our underwriting profit has increased dramatically over the past three years, from $1.6 million in 1995, to just over $19 million in 1998 – an increase of over 10 times!

We continue to generate better returns on our shareholders’ equity than our industry peers. Our return on equity for the combined operations in ‘98 was 13.4 percent, which is significantly better than the Canadian industry average of 7.1 percent.

As you can see from this chart, we have consistently outperformed the Canadian industry, with a five-year average return on equity of 18.6 percent. Nevertheless, we are not completely satisfied with our performance in this category in 1998, and we expect to see this number increase in ‘99.

Our optimism is based on our proven ability to increase the profitability of newly acquired companies. We have been successful with both York and Jevco and we expect to be successful with our U.S. operations as well.

Our investment portfolio has grown with the Company over the past several years and at the end of 1998, it stood at $634 million, or $17.65 per share, which is a 750 percent increase over 1995.

Our external investment advisors managed extremely well through some turbulent markets in 1998 providing a return of approximately 8%. This is reflected in our investment income, which increased from $4.9 million in ‘95 to $37.6 million in ‘98 – an increase of over 660 percent.

I’d now like to take a quick look at some key segmented numbers for our Canadian and U.S. operations.

First, for the Canadian operations, if we look at this two-year comparison table, we see that gross premiums were basically flat between 1997 and 1998, due largely to limited premium growth in our major Canadian market, Ontario. Underwriting profit more than doubled to $15.4 million in ‘98 and net income before taxes also showed a sharp increase from $28.3 million in ‘97 to $38.2 million in ‘98.

Taking a look at the combined ratio for our Canadian operations against the Canadian industry, you can see that we continue to outperform the industry average. The combined ratio for our Canadian operations was 92 percent, which is an improvement from 95.8 percent in ‘97, and is especially impressive when contrasted with the Canadian industry average of 107.6 percent for ’98.

Kingsway also continues to better the industry average by a wide margin in terms of return on shareholders’ equity. The return on equity for our Canadian operations in 1998 was 20.1 percent, compared with the industry average of 7.1 percent.

Turning now to the segmented numbers for our U.S. operations…

1998 was the first year for our U.S. operations. Gross premiums written in ‘98 were $200.3 million, which is close to 50 percent of the total premiums written for the Kingsway group.

However, net premiums earned amounted to $122.7 million, or only 61% of our business written in the U.S. We expect to retain much more of our U.S. business in ‘99 through our reinsurance division in Barbados. We feel comfortable retaining more of this business as it is properly priced and underwritten. Also, most of this business is only minimum limits of liability exposure, and was previously ceded because of lack of capital in the U.S. subsidiaries prior to our acquisition.

Net income from our U.S. operations was $8.7 million. Return on equity was 9.4 percent, which is on par with the industry average, but our combined ratio of 97 percent outperformed the U.S. industry average of 105 percent. With the addition of Kingsway Reinsurance, and with the application our strict underwriting discipline to the U.S. operations, we expect both of these ratios to improve in 1999.

I’d now like to hand the meeting back to Bill to comment on our outlook for 1999…

BILL STAR

CHAIRMAN, PRESIDENT & CEO

KINGSWAY FINANCIAL

Thank you Shaun.

1999 promises to be another outstanding year for Kingsway. We significantly expanded our base of operations in ‘98 and built a strong presence in the U.S. market. We are positioned for significant growth from this base in ‘99. In fact, if our existing business did not grow at all this year and we made no further acquisitions, our bottom line would still improve considerably due to internal growth. Internal growth will come from a number of areas:

- We will be able to use our new reinsurance subsidiaries to retain a much larger portion of gross premiums, which will lead to a sizable increase in net premiums earned;
- And because more of our business in 1999 will be generated in the United States and Barbados, our effective tax rate will decrease.
- We also expect to grow internally by introducing our core product lines into key U.S. markets. We have the base and the geographic coverage there now, with five companies licensed in a total of 40 states. We have the products, and we have the people with the expertise and knowledge to help facilitate this growth.

We see 1999 as a year of consolidation for Kingsway. It will be a year in which we digest our acquisitions and focus on improving the underwriting profitability of our U.S. operations and maximizing our return on investment.

While further acquisitions are not a priority, we will still consider opportunities if they are accretive to earnings and enhance shareholder value. This is the approach that has helped us build the Company profitably. Between our recent bank financing facility and our equity base of over $250 million, we have about $400 million available for expansion and growth. This will allow us to write almost one billion dollars of gross premiums without needing to raise more capital.

We expect to show strong year over year profitable growth. However, as we consolidate these operations, our quarterly results may vary as they have in the past.

I’d like to conclude our presentation with our three key objectives, which we have consistently exceeded over the past five years:

1. First, produce a five-year average combined ratio of 96 percent or less, with no year higher than 98 percent;
2. Second, increase net premiums by, on average, 15 percent per year; and finally
3. Achieve an after-tax return of greater than 15 percent on our shareholders’ equity.

We are convinced that the best way to maximize shareholder value is to consistently achieve or outperform these objectives.

Before I finish, I’d like to thank all of our management and staff for their dedication and hard work in 1998. Our success is the result of their contributions.

That concludes our presentation. We would be pleased to answer any questions at this time.