

***FOR IMMEDIATE RELEASE***

**TSE SYMBOL: KFS**

**KINGSWAY FINANCIAL TO ACQUIRE WALSHIRE ASSURANCE COMPANY**

**Toronto, Ontario (August 12, 1998)** – Kingsway Financial Services Inc. (“Kingsway”) announced today that it has entered into a definitive merger agreement pursuant to which Kingsway will acquire all of the outstanding shares of Walshire Assurance Company (“Walshire”).

Under the terms of the agreement, Kingsway will pay U.S.\$8.25 per share in cash for all outstanding common shares, and U.S. \$50.00 per share in cash for all outstanding preferred shares. Kingsway will also be responsible for all accrued and unpaid preferred share dividends through to the closing date (an amount equal to the redemption price for such shares). The transaction is subject to Walshire shareholder approval, regulatory approvals, as well as the satisfaction of other customary closing conditions. These conditions are expected to be completed during the fourth quarter of 1998. Walshire’s shares are listed on NASDAQ, under the trading symbol ‘WALS’.

“This transaction is a continuation of our focused growth strategy, which concentrates on our core lines of business,” says Bill Star, President and Chief Executive Officer of Kingsway. “The acquisition of Walshire provides us with access to the long-haul trucking insurance market in the United States, as well as the 39 states in which Walshire is currently licensed.”

Walshire is an insurance holding company, headquartered in York, Pennsylvania. Its principal business is commercial property and casualty insurance, primarily to the trucking industry, which it provides through Lincoln General Insurance Company (“Lincoln”), its main insurance subsidiary. Lincoln is rated “A” Excellent by A.M. Best.

Walshire wrote approximately U.S. \$57 million (approximately Cdn. \$86 million) in gross premiums in 1997, and approximately U.S. \$24 million (approximately Cdn. \$36 million) for the first six months of 1998. At June 30, 1998, Walshire had approximately 4.4 million shares outstanding and a book value per share of approximately U.S. \$7.99. At June 30, 1998, Walshire’s total assets were approximately U.S. \$131 million. On a pro forma basis, this transaction will increase Kingsway’s total assets to over Cdn. \$1 billion.

Following the acquisition, Kingsway will operate Walshire as an autonomous subsidiary under Kingsway America Inc. Kingsway intends to keep Walshire’s management team and retain all existing employees at its current head office.

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Walshire's board of directors has agreed unanimously to recommend that shareholders accept Kingsway's offer, which is subject to approval of a majority of Walshire's shareholders. In addition, Kingsway and Walshire have entered into a voting agreement with a number of Walshire shareholders representing approximately 26% of Walshire's outstanding shares. This includes Kenneth R. Taylor, Chairman, President & Chief Executive Officer, as well as other Walshire officers and members of the board of directors.

Kingsway is being advised in this transaction by Berenson Minella & Company while Walshire is being advised by BT Alex. Brown Incorporated.

### Management Appointments

Kingsway is also pleased to announce the following management appointments: Jim Thorndycraft, F.C.A., as Vice President of Kingsway Financial Services Inc.; and John Proctor, C.P.A., as Vice President and Chief Financial Officer of Kingsway America Inc.

Jim has over 25 years of accounting and business advisory experience with KPMG, where he was a senior partner specializing in the property and casualty insurance industry. In his new role, he will assist in acquisition due diligence and rate filings. John brings over 15 years of experience as a senior financial professional in the insurance industry to his new role, where his responsibilities will include all consolidation functions of Kingsway's subsidiaries in the United States.

Kingsway's primary business is the insuring of automobile risks for drivers who do not meet the criteria for coverage by standard automobile insurers. The company operates through six wholly owned insurance subsidiaries in Canada and the United States. Kingsway's Canadian subsidiaries include Kingsway General Insurance Company, York Fire & Casualty Insurance Company and Jevco Insurance Company. A.M. Best rates both Kingsway General Insurance and York "A" Excellent. Kingsway's U.S. subsidiaries include Universal Casualty Company, American Service Insurance Company and Southern United Fire Insurance Company. Kingsway Financial Services Inc.'s shares are listed on the Toronto Stock Exchange, under the trading symbol "KFS".

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