

FOR IMMEDIATE RELEASE

TSE SYMBOL: KFS

KINGSWAY FINANCIAL TO ACQUIRE HAMILTON INVESTMENTS, INC.

Toronto, Ontario (August 31, 1998) – Kingsway Financial Services Inc. (“Kingsway”) announced today that it has signed a binding share purchase agreement to acquire Hamilton Investments, Inc. (“Hamilton”) of Miami, Florida. Closing of this transaction is subject to obtaining the necessary regulatory approvals and the satisfaction of other standard closing conditions. These conditions are expected to be completed during the fourth quarter of 1998.

Hamilton is a privately-owned holding company that owns all of the shares of U.S. Security Insurance Company (“USSI”), Appco Finance Corporation (“Appco”), Insurance Management Services, Inc. (“IMS”), Corporate Claims Services, Inc. (“CCS”) and Auto Body Tech, Inc. (“ABT”). USSI is a non-standard automobile insurance company, incorporated and licensed to carry on business in Florida. Appco is one of the largest independent premium finance companies in Florida, providing premium financing to a number of insurance companies. IMS, a managing general agent, CCS, a claim service provider, and ABT, an auto body repair facility, provide services for a number of insurance companies.

“The acquisition of Hamilton is a continuation of our diversification strategy of acquiring profitable, well-run organizations involved in our core lines of business. This strategy is currently focused on the United States, where acquisitions completed earlier this year have significantly appreciated in value through internal growth and the strengthening of the U.S. dollar,” says Bill Star, President and Chief Executive Officer of Kingsway.

“Through our latest acquisition, we have gained entry to the growing Florida market, where we expect to introduce other products through the company’s agents over time,” Star continued. “In return, Hamilton receives the access to capital necessary to realize its full growth and earnings potential within the Kingsway group.”

During 1997, USSI wrote U.S. \$34 million (Cdn. \$50 million) in gross premiums and IMS wrote U.S. \$11 million (Cdn. \$17 million) of written premiums under a companion facility with another insurance company. *(All U.S. dollar amounts and Canadian dollar equivalents are approximate)*. For the first six months of 1998, USSI wrote U.S. \$17 million (Cdn. \$26 million) in gross premiums and IMS generated U.S. \$5 million (Cdn. \$8 million) of written premiums under the companion facility. At June 30, 1998, Hamilton’s total assets were U.S. \$58 million (Cdn. \$86 million).

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Following the acquisition, Kingsway will operate Hamilton as an independent subsidiary under Kingsway America Inc., and will retain all existing Hamilton employees. Roberto Espin, Jr. will remain as President, Chief Executive Officer and Chairman of Hamilton. Similarly, all other senior management employees will retain their existing positions.

This latest acquisition complements Kingsway's existing subsidiaries and its recently announced acquisition of Walshire Assurance Company ("Walshire"). Walshire, based in York, Pennsylvania, is currently licensed in 39 states across the United States, but not Florida. The addition of the Florida market through Hamilton completes Kingsway's network in the Southeastern U.S. and further positions the company to write non-standard automobile and related specialty insurance products across the country, through its network of locally managed companies.

Investment Income

The property and casualty insurance industry generates a substantial portion of its earnings from investment income. Since Kingsway has always maintained a conservative approach to investments, we are now in a strong position to increase our income by converting short-term investments to higher yielding instruments. The company also intends to take advantage of the opportunity to carefully invest in additional equities at current prices. As at July 31, 1998, Kingsway's portfolio was comprised of 35% Canadian and U.S. short-term (with maturities of less than one year) instruments, consisting of government and corporate bonds and money market investments. Canadian and U.S. equities comprised 9% and 3%, respectively, of the company's portfolio.

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 currently 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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