

TSE Symbol: KFS

**KINGSWAY FINANCIAL SERVICES COMPLETES
FIRST U.S. ACQUISITION AND THE FORMATION OF NEW
SUBSIDIARIES**

Toronto, Ontario (January 15, 1998) – Kingsway Financial Services Inc. today announced that it had completed the acquisition of UCC Corporation (“UCC”) and Ark Insurance Agency (“Ark”). UCC is a holding company that owns all of the shares of Universal Casualty Company (“Universal”). All required approvals were received and the transaction closed on January 13, 1998.

Universal is incorporated and licensed to carry on business in Illinois, and is the fifth largest underwriter of non-standard automobile insurance in the metropolitan Chicago market, writing U.S. \$45 million of premiums in 1997. Ark is a managing general agent carrying on business in Illinois. Marshall Romanz will remain as President, Chief Executive Officer and Chairman, and Marc Romanz, will remain as Executive Vice President of both Universal and Ark.

The final purchase price will be determined based on the earnings of the acquired companies for the fiscal years 1997 through to 2000. The consideration will be payable in cash, part of which was paid at closing, with the remainder to be paid following the completion of the audited financial statements for the fiscal years 1997 to 2000.

“Completion of the Universal acquisition is an exciting first step of our U.S. expansion plan,” says Bill Star, President and Chief Executive Officer of Kingsway. “The acquisition is part of our U.S. strategy to acquire well run companies with good management, thereby strengthening our executive team. By joining the Kingsway group of companies, Universal will have access to the capital and resources it needs to achieve its growth potential.”

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Kingsway also announced that it established two new subsidiaries in December of 1997, Kingsway Reinsurance Corporation (“Kingsway Re.”), and Kingsway America Inc. (“Kingsway America”). Kingsway Re. is incorporated in Barbados, and will operate as a reinsurer of business written by Kingsway’s subsidiaries. Kingsway America, a Delaware Corporation, will operate as the parent company for Kingsway’s insurance company 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 three wholly owned insurance subsidiaries: Kingsway General Insurance Company, York Fire & Casualty Insurance Company and Jevco Insurance Company.

Kingsway General Insurance is licensed and operates in every province of Canada. York is licensed in Ontario and Alberta, and offers traditional property and casualty insurance products, including specialty programs such as seniors and Abstainers programs. A.M. Best rates both Kingsway General Insurance and York “A” Excellent. Jevco is a federally licensed insurer, which is the largest writer of motorcycle risks in Canada.

Kingsway Financial Services Inc.’s shares are listed on the Toronto Stock Exchange, under the trading symbol “KFS”.

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