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**KINGSWAY REPORTS RECORD RESULTS FOR 1998 AND Q4
Earnings Momentum Continues**

Toronto, Ontario (February 25, 1999) – Kingsway Financial Services Inc. today announced financial results for the fourth quarter and year ended December 31, 1998.

Highlights

- Highest ever fourth quarter earnings per share (fully diluted), which increased by 50% to 21 cents and by 18% to 86 cents for the year
- Net income increased 54% to \$7.8 million for the fourth quarter and 40% to \$31.0 million for the year
- Net income before tax increased 68% to \$12.9 million for the quarter and 82% to \$51.4 million for the year
- Underwriting profit for the quarter increased by \$6.6 million to \$7.1 million and by \$11.8 million to \$19.1 million, or 161%, for the year
- Kingsway group combined ratio for the fourth quarter was 91.0% (93.9% for the year), a substantial improvement over the 98.9% (95.8% for the year) reported for last year
- The combined ratio for the year was 92.0% for the Canadian operations and 97.0% for the company's U.S. operations
- Return on equity was 13.4% for the year.

Strong Earnings Performance

Consolidated net income for the fourth quarter of 1998 increased 54% to a record \$7,795,000, compared to \$5,048,000 reported in the same quarter last year. Income before tax was \$12,871,000 (\$51,439,000 for the year), an increase of 68% over the fourth quarter of 1997 (82% year to date).

On a fully diluted basis, earnings per share increased 50% to 21 cents for the quarter, compared to 14 cents for the fourth quarter of 1997. For 1998, fully diluted earnings per common share were 86 cents, an increase of 13 cents or 18% over the prior year of 73 cents. The weighted average number of shares outstanding increased by 20% in 1998, compared to last year.

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Earnings per common share (basic) for the fourth quarter increased 50% to 21 cents, as compared to 14 cents for the same quarter of 1997. For 1998, earnings per common share (basic) increased to 86 cents, compared to 74 cents in 1997.

“We are again pleased to report record quarterly and annual results to our shareholders,” said Bill Star, President and Chief Executive Officer. “Our 1998 results are particularly pleasing because we improved our combined ratio despite doubling the size of our company. With the Walshire and Hamilton acquisitions now complete, we are poised for profitable growth in 1999.”

Solid Premium Growth

During the fourth quarter, gross premiums written increased by 85% (94% for the year) to a fourth quarter record \$88,738,000 (\$409,200,000 for the year), compared to \$47,997,000 (\$210,795,000 for the year) for the same period of 1997. Gross premiums written in the quarter from the Canadian operations were \$42,156,000 (\$208,877,000 for the year) and \$46,582,000 (\$200,323,000 for the year) from U.S. operations.

Net earned premiums increased 85% (80% for the year) to \$78,667,000 for the fourth quarter (\$314,651,000 for the year), compared to \$42,610,000 (\$174,462,000 for the year) for the fourth quarter in 1997. Net earned premiums from Canadian operations were \$41,648,000 for the quarter (\$191,917,000 for the year), and \$37,019,000 (\$122,734,000 for the year) from U.S. operations.

Underwriting Profit & Combined Ratio

Despite significant growth in premiums, Kingsway produced a record underwriting profit this year. Underwriting profit for the quarter was a fourth quarter record of \$7,080,000, compared to \$471,000 reported in the fourth quarter of 1997. Underwriting profit for the year increased 161% to \$19,075,000, compared to \$7,319,000 for 1997.

Profitable underwriting from both Canadian and U.S. operations helped produce a combined ratio of 91.0% for the fourth quarter, a significant improvement over the 98.9% reported for the same period last year. The combined ratio for the year was 93.9%, compared to 95.8% reported for 1997.

This is the ninth consecutive year that the Company has produced an underwriting profit. For the last six years, the combined ratio has consistently been in the 94 - 96% range.

Investment and Premium Finance Income

Investment and premium finance income increased 4% to \$7,783,000 for the fourth quarter (72% to \$37,599,000 for the year), compared to the \$7,458,000 (\$21,836,000 for the year) for 1997. Investment income includes gains of \$810,000 realized in the quarter (\$6,640,000 for the year), compared to \$1,447,000 in the fourth quarter of 1997 (\$6,176,000 for the year).

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Strong Balance Sheet

Total assets as at December 31, 1998 grew 98% to \$1.0 billion, compared to \$511 million reported at the end of 1997. The investment portfolio increased to \$634 million (market value \$632 million), compared to \$353 million a year ago. The investment portfolio represents \$17.65 per common share, an increase of 79% over \$9.87 reported for the previous year. Unearned premiums as at December 31, 1998 grew to \$188,810,000, an increase of 110% over the \$89,885,000 reported at the end of 1997.

About the Company

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 eight wholly-owned insurance subsidiaries in Canada and the United States. Canadian subsidiaries include Kingsway General Insurance Company, York Fire & Casualty Insurance Company and Jevco Insurance Company. U.S. subsidiaries include Universal Casualty Company, American Service Insurance Company, Southern United Fire Insurance Company, Walshire Assurance Company, and Hamilton Investments, Inc. Kingsway General, York Fire and Walshire's main operating subsidiary, Lincoln General Insurance Company, are all rated "A" Excellent from A.M. Best. The common shares of Kingsway Financial Services Inc. are listed on the Toronto Stock Exchange, under the trading symbol "KFS".

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KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF INCOME
For the twelve months ended December 31, 1998 and 1997
(\$ in Thousands, except for per share amounts)

	Quarter to December 31:		12 months to December 31:	
	1998	1997	1998	1997
	(Unaudited)			
Gross premiums written	\$88,738	\$47,997	\$409,200	\$210,795
Net premiums written	\$75,448	\$43,283	\$320,396	\$186,813
Net earned premiums	\$78,667	\$42,610	\$314,651	\$174,462
Investment income	7,783	7,458	37,599	21,836
	86,450	50,068	352,250	196,298
Claims incurred	44,355	28,582	193,801	113,909
Commissions & premium taxes	19,379	8,684	61,927	34,801
General & other expenses	7,853	4,873	39,848	18,433
Goodwill	761	268	3,201	815
Interest expense	1,231	-	2,034	-
	73,579	42,407	300,811	167,958
Income before income taxes	12,871	7,661	51,439	28,340
Income taxes	5,076	2,613	20,428	6,189
Net income	\$7,795	\$5,048	\$31,011	\$22,151
Earnings per share:				
Basic:	\$0.21	\$0.14	\$0.86	\$0.74
Fully -diluted:	\$0.21	\$0.14	\$0.86	\$0.73
Claims ratio	56.4%	67.1%	61.6%	65.3%
Expense ratio	34.6%	31.8%	32.3%	30.5%
Combined ratio	91.0%	98.9%	93.9%	95.8%
Underwriting profit	\$7,080	\$471	\$19,075	\$7,319
Return on Equity (Annualized)	12.6%	9.6%	13.4%	16.5%
Book value per share			\$6.96	\$5.95

Per share amounts are after giving effect to the 2 for 1 subdivision of shares on May 8, 1998.

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEET
As at December 31, 1998 and 1997
(\$ in Thousands)

	1998	1997
ASSETS		
Cash	\$ 7,179	\$ 5,780
Investments and financed premiums receivable	626,603	347,687
Accounts receivable and other assets	70,082	27,779
Amounts due from reinsurers and other insurers	167,343	81,425
Deferred policy acquisition costs	38,691	18,543
Income taxes recoverable	2,552	245
Future income taxes	13,754	17,258
Capital assets	20,770	6,373
Goodwill	65,802	6,139
	<u>\$ 1,012,776</u>	<u>\$ 511,229</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Unsecured bank indebtedness	\$ 100,863	\$ -
Accounts payable & accrued liabilities	23,003	8,611
Unearned premiums	188,810	89,885
Unpaid claims	446,245	198,186
Other	3,790	1,299
	<u>762,711</u>	<u>297,981</u>
SHAREHOLDERS' EQUITY		
Share capital	164,509	165,147
Currency translation adjustment	6,444	-
Retained earnings	79,112	48,101
	<u>250,065</u>	<u>213,248</u>
	<u>\$ 1,012,776</u>	<u>\$ 511,229</u>

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the years ended December 31, 1998 and 1997
(\$ in Thousands)

	1998	1997
Operating activities:		
Net income	\$31,011	\$22,151
Items not involving cash:		
Amortization	4,789	1,530
Future income taxes	9,557	(15,552)
Net realized gain on sale of investments	(6,640)	(6,176)
Amortization of bond premiums & discounts	(392)	(1,881)
	38,325	72
Net change in non-cash balances:	24,725	50,244
	63,050	47,828
Financing activities:		
Issuance of share capital, net	(638)	106,110
Share warrant	-	(1,647)
Bank indebtedness	86,569	-
	85,931	104,463
Investing activities:		
Purchase of investments	(1,178,756)	(903,843)
Proceeds from sales of investments	1,164,842	759,039
Financed premiums receivable, net	7,872	(2,416)
Purchase of subsidiary, net of cash acquired	(138,405)	(2,360)
Additions to capital assets	(3,135)	(1,219)
	(147,582)	(150,799)
Increase (decrease) in cash during period	1,399	1,615
Cash, beginning of period	5,780	4,165
Cash, end of period	\$7,179	\$5,780

KINGSWAY FINANCIAL SERVICES INC.
SUMMARY OF KEY DATA

(\$000's)	1995	1996	1997	1998				Year
	Year	Year	Year	Q1	Q2	Q3	Q4	
Gross Premiums Written	\$60,049	\$140,610	\$210,795	\$95,901	\$123,801	\$100,760	\$88,738	\$409,200
Net Premiums Written	50,440	134,121	186,813	66,041	97,673	81,234	75,448	320,396
Net Earned Premiums	46,063	107,679	174,462	61,940	81,499	92,545	78,667	314,651
Investment Income	4,913	11,049	21,836	10,452	10,018	9,346	7,783	37,599
Total Revenues	50,976	118,728	196,298	72,392	91,517	101,891	86,450	352,250
Income before income taxes	6,473	15,756	28,340	13,109	10,237	15,222	12,871	51,439
Net income	3,767	11,162	22,151	7,456	6,432	9,329	7,795	31,011
Underwriting profit	1,560	4,707	7,319	3,298	1,510	7,187	7,080	19,075
Total Assets	95,601	248,233	511,229	724,671	804,487	821,349	1,012,776	1,012,776
Unearned Premiums	27,463	64,064	89,885	153,183	178,031	163,618	188,810	188,810
Shareholders Equity	36,677	86,634	213,248	219,504	229,805	243,495	250,065	250,065
Claims ratio	66.5%	64.9%	65.3%	62.5%	66.0%	61.5%	56.4%	61.6%
Expense ratio	30.1%	30.7%	30.5%	32.1%	32.1%	30.7%	34.6%	32.3%
General expense ratio	13.0%	10.7%	10.6%	16.8%	13.6%	11.4%	10.0%	12.7%
Combined ratio	96.6%	95.6%	95.8%	94.6%	98.1%	92.2%	91.0%	93.9%
Return on Equity	19.8%	21.4%	16.5%	13.8%	11.5%	15.8%	12.6%	13.4%
Earnings per share								
Basic	\$0.31	\$0.52	\$0.74	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86
Fully-Diluted	\$0.30	\$0.49	\$0.73	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86
Average shares O/S (000's)								
Basic	12,260	21,448	29,956	35,847	35,882	35,954	35,932	35,904
Fully-Diluted	12,260	22,586	30,496	36,348	36,461	36,526	36,504	36,443
Book Value per share	\$1.90	\$3.26	\$5.95	\$6.12	\$6.40	\$6.75	\$6.96	\$6.96