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TSE SYMBOL: KFS

KINGSWAY ANNOUNCES LAWSUIT AGAINST JEVCO'S FORMER AUDITORS

Toronto, Ontario (May 4, 1999) – Kingsway Financial Services Inc. (“Kingsway”) announced today it has brought an action against Caron Belanger Ernst & Young (“CBE&Y”) of Montreal, Quebec for alleged damages amounting to \$21,340,449 plus interest. The lawsuit is related to Kingsway’s 1997 acquisition of Jevco Insurance Company (“Jevco”).

Kingsway’s decision to acquire Jevco relied on various representations made, including Jevco’s December 31, 1996 financial statements, upon which CBE&Y issued an unqualified audit opinion. Kingsway alleges that there were material deficiencies and losses that were not reflected in these financial statements. Kingsway’s claim alleges that CBE&Y knew or ought to have known in carrying out their audit, that the financial statements were materially misleading and erroneous, especially in not recording the full extent of liabilities.

Kingsway also has other actions in progress against the former owner and two senior officers of Jevco seeking damages of \$6,000,000. A claim has been made in the amount \$3,000,000 for repayment of funds paid and \$3,000,000 for the release from the balance of funds payable in the form of cash or warrants for Kingsway shares in accordance with the share purchase agreement.

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 nine wholly-owned 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, Hamilton Investments, Inc. and Avalon Risk Management, Inc. A.M. Best recently reaffirmed the “A” Excellent ratings for both Kingsway General, York Fire and Lincoln General. The common shares of Kingsway Financial Services Inc. are listed on the Toronto Stock Exchange, under the trading symbol “KFS”.

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