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TSE SYMBOL: KFS

**KINGSWAY COMMENCES TENTH CONSECUTIVE YEAR OF
UNDERWRITING PROFIT
Company Reports Q1 1999 Financial Results**

Toronto, Ontario (May 5, 1999) – Kingsway Financial Services Inc. today announced financial results for the quarter ended March 31, 1999.

Q1 1999 Highlights

- Earnings per share (fully diluted) were 18 cents
- Net income was \$6.5 million
- Underwriting profit was \$1.8 million, and included positive contributions from both Canadian and U.S. operations
- Kingsway group combined ratio was 98.3%, compared to 94.6% reported for the same quarter last year
- The combined ratio was 98.9% for the Canadian operations and 97.8% for the Company's U.S. operations
- Net premiums written increased to 88% of gross premiums written, compared to 69% for the same quarter last year
- Return on equity was 10.3%.

Strong Earnings Performance

Consolidated net income for the first quarter was \$6,497,000, compared to \$7,456,000 reported in the same quarter last year.

On a fully diluted basis, earnings per share were 18 cents for the quarter, compared to 21 cents for the first quarter of 1998. Earnings per common share (basic) were 18 cents, as compared to 21 cents for the first quarter of 1998.

“We commenced our tenth consecutive year of underwriting profit,” said Bill Star, President & Chief Executive Officer. “Although quarterly earnings can vary, the results for the U.S. operations remain stable, however, the underwriting results for our Canadian operations were adversely affected by unusual weather conditions,” he continued. “Both Walshire and Hamilton, our two most recent acquisitions, produced positive results for the first quarter. Though the acquisitions will be dilutive to earnings in the short term due to debt financing costs, these subsidiaries will become increasingly important contributors to the Kingsway group.”

The initiatives undertaken in late 1998 to terminate unprofitable business lines at Walshire are positively affecting results, and the runoff of the old unprofitable business will be completed by mid-1999. Southern United produced a loss for the quarter of \$561,000. Though business written in Alabama and Louisiana since the rate increases effective in the summer of 1998 is profitable, unprofitable business written prior to the rate increases, and the high cost of reinsuring this business are currently affecting results.

Amortization of intangible assets was \$1,146,000 in the first quarter of 1999 compared to \$535,000 last year. The increase reflects goodwill on acquisitions in 1998 and early 1999, which is being amortized over 15 years.

Solid Premium Growth

During the first quarter of 1999, gross premiums written increased by 30% to a quarterly record of \$124,548,000, compared to \$95,901,000 last year.

Net premiums earned increased 69% to a record \$104,420,000 for the quarter, compared to \$61,940,000 for the first quarter last year. For the quarter, net premiums earned from Canadian operations were \$42,817,000 compared to \$41,487,000 last year and \$61,602,000 from U.S. operations, compared to \$20,453,000 last year.

Net written premiums represented 88% of gross premiums written, compared to 69% for the first quarter of last year, as the Kingsway group continued to increase its retention of business previously ceded under quota-share reinsurance treaties.

Underwriting Profit & Combined Ratio

Despite significant growth in premiums and adverse weather conditions, Kingsway produced an underwriting profit in the first quarter, as it has in each of the previous nine fiscal years. The combined ratio of 98.3% for the first quarter produced an underwriting profit of \$1,796,000, compared to \$3,298,000 reported in the first quarter of 1998.

Investment and Premium Finance Income

Excluding the impact of investment gains, investment and premium finance income increased by 30% compared to the first quarter of 1998. Investment income for the first quarter of 1999 included realized gains of \$106,000, compared with \$2,973,000 of realized gains in the first quarter of 1998. As a result, investment and premium finance income decreased 6% to \$9,833,000, compared to \$10,452,000 for first quarter of 1998.

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Strong Balance Sheet

Total assets as at March 31, 1999 grew 47% to \$1.07 billion, compared to \$725 million for the same period last year. The investment portfolio increased to \$676 million (market value \$669 million), compared to \$438 million a year ago. The investment portfolio represents \$18.81 per common share, an increase of 54% over \$12.22 reported for the previous year. Unearned premium reserves as at March 31, 1999 grew to \$194,738,000, an increase of 27% over the \$153,184,000 reported at the end of the first quarter of 1998.

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. Kingsway General, York Fire and Lincoln General are all rated "A" Excellent by 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 three months ended March 31, 1999 and 1998
(\$ in Thousands, except for per share amounts)

	1999	1998
	(unaudited)	
	<u> </u>	<u> </u>
Gross premiums written	\$124,548	\$95,901
Net premiums written	<u>\$109,875</u>	<u>\$66,041</u>
Net premiums earned	\$104,420	\$61,940
Investment income	9,833	10,452
	<u>114,253</u>	<u>72,392</u>
Claims incurred	66,973	38,735
Commissions & premium taxes	21,177	9,512
General expenses & other	14,474	10,395
Goodwill	1,146	535
Interest expense	1,843	106
	<u>105,613</u>	<u>59,283</u>
Income before income taxes	8,640	13,109
Income taxes	2,143	5,653
Net income	<u>\$6,497</u>	<u>\$7,456</u>
Earnings per share:		
basic:	\$0.18	\$0.21
fully -diluted:	\$0.18	\$0.21
Claims ratio	64.1%	62.5%
Expense ratio	34.2%	32.1%
Combined ratio	98.3%	94.6%
Underwriting profit	\$1,796	\$3,298
Return on equity (annualized)	10.3%	13.8%
Book value per share	\$7.08	\$6.12

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEET
As at March 31, 1999 and 1998
(\$ in Thousands)

	1999	1998
	(unaudited)	
ASSETS		
Cash	\$ 7,948	\$ 13,186
Investments and financed premiums receivable	668,463	424,918
Accounts receivable and other assets	87,061	61,002
Amounts due from reinsurers and other insurers	144,519	114,147
Deferred policy acquisition costs	41,465	35,990
Income taxes recoverable	6,738	-
Future income taxes	13,753	18,781
Capital assets	28,432	15,511
Goodwill	67,535	41,136
	<u>\$1,065,914</u>	<u>\$724,671</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank loans	\$152,984	\$22,630
Accounts payable & accrued liabilities	21,987	13,023
Unearned premiums	194,738	153,184
Unpaid claims	440,134	314,488
Other	1,691	1,842
	<u>811,534</u>	<u>505,167</u>
SHAREHOLDERS' EQUITY		
Share capital	164,259	165,236
Currency translation adjustment	4,512	(1,289)
Retained earnings	85,609	55,557
	<u>254,380</u>	<u>219,504</u>
	<u>\$1,065,914</u>	<u>\$724,671</u>

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the three months ended March 31, 1999 and 1998
(\$ in Thousands)

	1999	1998
	(unaudited)	
Operating activities:		
Net income	\$6,497	\$7,456
Items not involving cash:		
Amortization	1,744	944
Future income taxes	1,324	1,324
Net realized gain on sale of investments	(106)	(2,973)
Amortization of bond premiums & discounts	9	123
	9,468	6,874
 Net change in non-cash balances:	 (24,526)	 1,717
	(15,058)	8,591
 Financing activities:		
Issuance (cancellation) of share capital, net	(250)	88
Share warrant	-	(538)
Increase in bank indebtedness	41,579	7,069
	41,329	6,619
 Investing activities:		
Purchase of investments	(353,948)	(213,527)
Proceeds from sales of investments	340,071	273,957
Financed premiums receivable, net	8,688	4,917
Purchase of subsidiary, net of cash acquired	(19,186)	(72,555)
Additions to capital assets	(1,127)	(596)
	(25,502)	(7,804)
 Increase (decrease) in cash during period	 769	 7,406
 Cash, beginning of period	 7,179	 5,780
 Cash, end of period	 \$7,948	 \$13,186

KINGSWAY FINANCIAL SERVICES INC.
SUMMARY OF KEY DATA

(\$'000's)	1996	1997	1998				1999	
	Year	Year	Q1	Q2	Q3	Q4	Year	Q1
Gross premiums written	\$140,610	\$210,795	\$95,901	\$123,801	\$100,760	\$88,738	\$409,200	\$124,548
Net premiums written	134,121	186,813	66,041	97,673	81,234	75,448	320,396	109,875
Net premiums earned	107,679	174,462	61,940	81,499	92,545	78,667	314,651	104,420
Investment income	11,049	21,836	10,452	10,018	9,346	7,783	37,599	9,833
Total revenues	118,728	196,298	72,392	91,517	101,891	86,450	352,250	114,253
Income before income taxes	15,756	28,340	13,109	10,237	15,222	12,871	51,439	8,640
Net income	11,162	22,151	7,456	6,432	9,328	7,795	31,011	6,497
Underwriting profit	4,707	7,319	3,298	1,510	7,187	7,080	19,075	1,796
Total assets	248,233	511,229	724,671	804,487	821,349	1,012,776	1,012,776	1,065,914
Unearned premiums	64,064	89,885	153,183	178,031	163,618	188,810	188,810	194,738
Shareholders equity	86,634	213,248	219,504	229,805	243,495	250,065	250,065	254,380
Claims ratio	64.9%	65.3%	62.5%	66.0%	61.5%	56.4%	61.6%	64.1%
Expense ratio	30.7%	30.5%	32.1%	32.1%	30.7%	34.6%	32.3%	34.2%
General expense ratio	10.7%	10.6%	16.8%	13.6%	11.4%	10.0%	12.7%	13.9%
Combined ratio	95.6%	95.8%	94.6%	98.1%	92.2%	91.0%	93.9%	98.3%
Return on equity	21.4%	16.5%	13.8%	11.5%	15.8%	12.6%	13.4%	10.3%
Earnings per share								
Basic	\$0.52	\$0.75	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86	\$0.18
Fully-Diluted	\$0.49	\$0.72	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86	\$0.18
Average shares O/S ('000)								
Basic	21,448	29,956	35,847	35,882	35,954	35,932	35,904	35,976
Fully-Diluted	22,586	30,495	36,348	36,461	36,526	36,504	36,443	36,596
Book value per share	\$3.26	\$5.95	\$6.12	\$6.40	\$6.75	\$6.96	\$6.96	\$7.08