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TSE SYMBOL: KFS

KINGSWAY REPORTS RECORD QUARTERLY EARNINGS

Toronto, Ontario (November 1, 1999) – Kingsway Financial Services Inc. today announced its financial results for the third quarter and nine months ended September 30, 1999.

Q3 1999 Highlights

- Record quarterly earnings per share (fully diluted and basic) of 28 cents
- Record quarterly net income of \$10.0 million
- Underwriting profit of \$6.9 million
- Return on equity of 15.3%
- Combined ratio for the quarter of 94.2%
- Net premiums earned increased 30% over Q3 1998 to \$120.1 million
- Gross premiums written increased 26% over Q3 1998 to \$126.9 million
- Net premiums written increased 47% over Q3 1998 to \$119.7 million.

Strong Earnings Performance

Net income for the third quarter increased 7% to a record \$10,027,000, compared with \$9,328,000 last year. Net income for the nine-month period increased 13% to \$26,219,000, compared with \$23,216,000 last year.

Fully diluted earnings per share for the quarter increased 8% to a record 28 cents (on 36,533,000 shares), compared with 26 cents (on 36,526,000 shares) reported last year. Basic earnings per share for the quarter also grew 8% to 28 cents (on 35,689,000 shares). For the nine-month period, fully diluted earnings per share increased 12% to 73 cents (on 36,617,000) shares), compared with 65 cents (on 36,422,000 shares) for the same period last year. Basic earnings per share for the first nine months also grew 12% to 73 cents (on 35,847,000 shares).

Operating earnings per share for the third quarter (net income before taxes, realized gains, goodwill amortization and interest expense) were 47 cents, an increase of 5% over the 45 cents reported for the third quarter of 1998. For the nine-month period, operating earnings per share increased 23% to \$1.21.

“I am pleased to report another quarter of strong financial performance for Kingsway Financial,” said Bill Star, President and Chief Executive Officer. “The consistency of our combined ratio and our strong underwriting results distinguish us from most other insurance companies. To again report record results and achieve our objective of 15% return on equity in the current market environment, is a testament to the disciplined approach of the employees of the Kingsway group of companies.”

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“We continued to see strong growth in non-standard automobile premiums in Canada during the quarter following the departure of a major competitor. We will continue to leverage our disciplined pricing strategy by focusing on 'quality' rather than 'quantity' of risks underwritten.”

Solid Premium Growth

Net premiums earned for the quarter increased 30% to a record \$120,105,000, compared to \$92,545,000 for the third quarter last year. For the year to date, net premiums earned increased 42% to \$335,523,000, compared to \$235,984,000 last year.

During the third quarter, gross premiums written increased 26% over last year to a record \$126,888,000. For the quarter, written premiums grew 26% for both the Canadian and U.S. operations, to \$64,993,000 and \$61,895,000, respectively. The increase in Canadian premiums is attributable to growth in the Company's core line of business, non-standard automobile, which increased by 38% over the same quarter of last year. The increase in U.S. premiums is attributable to acquisitions in late 1998 and early 1999.

Gross premiums written for the nine-month period rose 22% to \$390,331,000, compared to \$320,462,000 for the first nine months of 1998. Year-to-date written premiums for the Canadian operations grew 7% over 1998 to \$177,974,000. Written premiums for the Company's U.S. operations for the first nine months of 1999 grew 38% to \$212,357,000.

Net premiums written for the third quarter increased 47% to \$119,687,000 (\$361,437,000 year to date). The Company's retention of business increased significantly to 94% of gross premiums written in the third quarter (93% year to date), which compares with 80% for the third quarter of last year (76% year to date).

Underwriting Profit & Combined Ratio

Kingsway's combined ratio was 94.2% (95.6% year to date) for the third quarter, compared with 92.2% for the same period last year (94.9% year to date). The combined ratio for the Company's Canadian operations was 92.8% (93.6% year to date), and for the Company's U.S. operations, the combined ratio for the quarter was 95.8% (97.3% year to date). For the nine-month period, underwriting profit increased by 23% over the same period last year to \$14,730,000.

Investments, Investment Income and Realized Gains

Third-quarter investment income was \$10,155,000, an increase of 12% over the third quarter of 1998. For the year to date, investment income increased 25% to \$29,687,000 compared to \$23,814,000 last year. For the third quarter, realized gains amounted to \$169,000 (\$2,859,000 year to date) compared with \$274,000 for the third quarter of 1998 (\$6,002,000 for the nine-month period).

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The Company's investment portfolio grew to \$689 million at the end of the third quarter, compared to \$505 million at the same point last year. This represents \$19.81 per common share, an increase of 39% over the \$14.28 per share reported in the previous year. The market value of the investment portfolio was \$668 million, 3% lower than the carrying value. At the end of the quarter, the investment portfolio comprised accrued interest and term deposits of \$85 million (market value \$85 million); government bonds of \$320 million (market value \$312 million); corporate bonds of \$139 million (market value \$136 million); equities of \$87 million (market value \$78 million); and premium finance receivables of \$58 million (market value \$58 million).

Strong Balance Sheet

Total assets at September 30, 1999 grew 30% to \$1.06 billion, compared to \$821 million at September 30, 1998. Unearned premiums at September 30, 1999 grew 22% to \$199,182,000, compared to \$163,618,000 reported at the end of the third quarter of 1998. Book value per share increased 11% over the third quarter of 1998 to \$7.52.

Normal Course Issuer Bid

Under the normal course issuer bid approved in September 1998 the Company purchased 453,800 shares at an average price of \$9.29. Kingsway renewed the normal course issuer bid effective September 8, 1999 and purchased 322,300 shares prior to September 30, 1999 at an average price of \$8.76. The Company's insider trading policy prohibits any insider from trading the Company's securities from the end of the fiscal quarter until two business days after the financial results for the quarter have been released. The Company continues to believe that its common shares have been trading in a price range that does not adequately reflect their value in relation to the Company's current business and its future business prospects.

Year 2000

The Company is on schedule with its Year 2000 ("Y2K") program. As of September 30, 1999 the Company and its subsidiaries have completed the majority of the system changes. One subsidiary is completing a conversion of a non-compliant minor claims database during the fourth quarter. The Company and its subsidiaries continue to request verbal or written assurances from most suppliers that they are, or will be, Y2K compliant, and the Company and its subsidiaries are following up with those who have not replied.

During the third quarter, Kingsway and its subsidiaries further developed the contingency plans to deal with any failure of "mission-critical" systems. The Company has ensured that key staff is available to test critical systems on January 1, 2000.

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The Company believes that it has taken all necessary and feasible measures to minimize the possibility of a Y2K disruption. However, there can be no assurance that the systems of other companies the Company interacts with, or on which the Company's systems rely, will be converted before the Year 2000, or that any such failure on the part of another company will not have an adverse impact on the Company's operations.

With respect to its insured policyholders and liability exposure, the insurance subsidiaries have excluded Y2K coverage where applicable.

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 Jevco 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 nine months ended September 30, 1999 and 1998
(\$ in Thousands, except for per share amounts)

	Quarter to Sept 30:		9 months to Sept 30:	
	1999	1998	1999	1998
	(unaudited)		(unaudited)	
Gross premiums written	\$126,888	\$100,760	\$390,331	\$320,462
Net premiums written	\$119,687	\$81,234	\$361,437	\$244,948
Net premiums earned	\$120,105	\$92,545	\$335,523	\$235,984
Investment income	10,155	9,072	29,687	23,814
Net realized gains	169	274	2,859	6,002
	130,429	101,891	368,069	265,800
Claims incurred	73,306	56,884	209,222	149,446
Commissions & premium taxes	23,872	17,938	66,785	42,548
General & other expenses	16,014	10,536	44,786	31,995
Goodwill amortization	1,254	906	3,642	2,440
Interest expense	2,242	405	7,009	803
	116,688	86,669	331,444	227,232
Income before income taxes	13,741	15,222	36,625	38,569
Income taxes	3,714	5,894	10,406	15,352
Net income	\$10,027	\$9,328	\$26,219	\$23,217
Earnings per share:				
Basic:	\$0.28	\$0.26	\$0.73	\$0.65
Fully diluted:	\$0.28	\$0.26	\$0.73	\$0.65
Claims ratio	61.0%	61.5%	62.4%	63.3%
Expense ratio	33.2%	30.7%	33.2%	31.6%
Combined ratio	94.2%	92.2%	95.6%	94.9%
Underwriting profit	\$6,913	\$7,187	\$14,730	\$11,995
Return on equity (annualized)	15.3%	15.8%	13.5%	13.6%
Book value per share			\$7.52	\$6.76

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEET
As at September 30, 1999 and 1998
(\$ in Thousands)

	1999	1998
	(unaudited)	
ASSETS		
Cash	\$12,044	\$ 8,950
Investments and financed premiums receivable	688,637	505,180
Accounts receivable and other assets	75,970	59,755
Amounts due from reinsurers and other insurers	133,820	131,079
Deferred policy acquisition costs	41,576	38,203
Future income taxes	15,150	14,883
Capital assets	27,907	16,710
Goodwill	69,339	46,589
	<u>\$1,064,443</u>	<u>\$ 821,349</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank loans	\$148,465	\$ 29,220
Accounts payable and other assets	26,730	20,980
Unearned premiums	199,182	163,618
Unpaid claims	423,845	364,036
	<u>798,222</u>	<u>577,854</u>
SHAREHOLDERS' EQUITY		
Share capital	158,961	165,410
Currency translation adjustment	1,929	6,768
Retained earnings	105,331	71,317
	<u>266,221</u>	<u>243,495</u>
	<u>\$1,064,443</u>	<u>\$821,349</u>

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the nine months ended September 30, 1999 and 1998
(\$ in Thousands)

	1999	1998
	(unaudited)	
Operating activities:		
Net income	\$26,219	\$23,217
Items not involving cash:		
Amortization	5,871	3,904
Future income taxes	(3,168)	4,557
Net realized gain on sale of investments	(2,859)	(6,002)
Amortization of bond premiums & discounts	17	(72)
	26,080	25,604
Net change in non-cash balances:	1,012	42,421
	27,092	68,025
Financing activities:		
Issuance (cancellation) of share capital, net	(5,548)	262
Increase in bank indebtedness	41,024	12,925
	35,476	13,187
Investing activities:		
Purchase of investments	(921,272)	(842,899)
Proceeds from sales of investments	892,307	837,961
Financed premiums receivable, net	(1,253)	5,306
Purchase of subsidiary, net of cash acquired	(24,832)	(76,096)
Additions to capital assets	(2,653)	(2,314)
	(57,703)	(78,042)
Increase (decrease) in cash during period	4,865	3,170
Cash, beginning of period	7,179	5,780
Cash, end of period	\$12,044	\$8,950

KINGSWAY FINANCIAL SERVICES INC.
SUMMARY OF KEY DATA

(\$'000's)	1997	1998				1999			
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
Gross premiums written	\$210,795	\$95,901	\$123,801	\$100,760	\$88,738	\$409,200	\$124,548	\$138,895	\$126,888
Net premiums written	186,813	66,041	97,673	81,234	75,448	320,396	109,875	131,875	119,687
Net premiums earned	174,462	61,940	81,499	92,545	78,667	314,651	104,420	110,998	120,105
Total investment income	21,836	10,452	10,018	9,346	7,783	37,599	9,833	12,389	10,324
Total revenues	196,298	72,392	91,517	101,891	86,450	352,250	114,253	123,387	130,429
Income before income taxes	28,340	13,109	10,237	15,222	12,871	51,439	8,640	14,244	13,741
Net income	22,151	7,456	6,432	9,328	7,795	31,011	6,497	9,695	10,027
Underwriting profit	7,319	3,298	1,510	7,187	7,080	19,075	1,796	6,021	6,913
Total assets	511,229	724,671	804,487	821,349	1,012,776	1,012,776	1,065,914	1,069,602	1,064,443
Unearned premiums	89,885	153,183	178,031	163,618	188,810	188,810	194,738	205,060	199,182
Shareholders' equity	213,248	219,504	229,805	243,495	250,065	250,065	254,380	259,785	266,221
Claims ratio	65.3%	62.5%	66.0%	61.5%	56.4%	61.6%	64.1%	62.1%	61.0%
Expense ratio	30.5%	32.1%	32.1%	30.7%	34.6%	32.3%	34.2%	32.5%	33.2%
General expense ratio	10.6%	16.8%	13.6%	11.4%	10.0%	12.7%	13.9%	12.9%	13.3%
Combined ratio	95.8%	94.6%	98.1%	92.2%	91.0%	93.9%	98.3%	94.6%	94.2%
Return on equity	16.5%	13.8%	11.5%	15.8%	12.6%	13.4%	10.3%	15.1%	15.3%
Earnings per share									
Basic	\$0.74	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86	\$0.18	\$0.27	\$0.28
Fully Diluted	\$0.73	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86	\$0.18	\$0.27	\$0.28
Average shares O/S ('000)									
Basic	29,956	35,847	35,882	35,954	35,932	35,904	35,976	35,879	35,689
Fully Diluted	30,495	36,348	36,461	36,526	36,504	36,443	36,596	36,727	36,533
Book Value per share	\$5.95	\$6.12	\$6.40	\$6.76	\$6.96	\$6.96	\$7.08	\$7.27	\$7.52