

KINGSWAY REPORTS SIGNIFICANT IMPROVEMENT IN QUARTERLY RESULTS AND RECORD REVENUE

Toronto, Ontario (August 8, 2000) – Kingsway Financial Services Inc. (TSE: KFS) today announced its financial results for the second quarter and six months ended June 30, 2000.

Q2 2000 Highlights

- Earnings per share (fully diluted and basic) of 21 cents
- Net income of \$7.2 million
- Gross premiums written were a record \$172 million, an increase of 24% over Q2 1999
- Return on equity was 11.5%
- Combined ratio of 100.6% for the quarter.

Net income for the second quarter was \$7.2 million, compared to \$3.2 million in the first quarter and \$9.7 million reported in the same quarter last year. Net income for the six-month period was \$10.4 million, compared with \$16.2 million last year.

Fully diluted and basic earnings per share were 21 cents in the second quarter, compared with 27 cents reported last year. Earnings per share (fully diluted and basic) for the six-month period was 30 cents, compared with 45 cents per share in the same period last year. Earnings per share before goodwill (fully diluted) was 24 cents for the quarter and 37 cents year-to-date compared with 30 cents for the quarter and 51 cents year-to-date in 1999.

“I am pleased to report a significant improvement in earnings over the previous quarter,” said Bill Star, President and Chief Executive Officer. “With the substantial growth in written premiums and increased rate levels in many of our business lines, we expect continuing improvements in earnings during the second half of the year.”

Solid Premium Growth

During the second quarter, gross and net premiums written both increased by 24% over last year to quarterly record levels. For the first six months, gross premiums written grew by 16%, and net premiums written increased by 20% compared to the first half of 1999. Most of the growth came from the Company’s core non-standard automobile markets in Canada and the southern United States.

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For the quarter, gross premiums written for the Company's Canadian operations grew 28% (28% year-to-date), and gross premiums written for the U.S. operations grew 19% (7% year-to-date), compared to last year. Net premiums earned for the quarter increased 20% to a record \$133.4 million (12% year-to-date to a record \$241.8 million). Net premiums earned for the first six months represented 83% of net premiums written, reflecting a substantial increase in premiums to be earned during the remainder of the current year.

Underwriting Profit & Combined Ratio

The combined ratio improved to 100.6% for the quarter (102.9% year-to-date) compared to 105.8% in the previous quarter. The combined ratio for the Company's Canadian operations was 100.1% (104.3% year-to-date), and for the U.S. operations, the combined ratio for the quarter was 101.1% (101.7% year-to-date).

Investments and Premium Finance Income

Investment income for the quarter increased 15% to \$11.2 million (\$20.9 million year-to-date) compared with \$9.8 million for the second quarter of 1999. For the second quarter, realized gains amounted to \$2.3 million (\$4.0 million year-to-date) compared with \$2.6 million for the second quarter of 1999 (\$2.7 million year-to-date).

Strong Balance Sheet and Cash Flow

Total assets at June 30, 2000 grew 5% to \$1.12 billion, compared to \$1.07 billion at the end of 1999. The investment portfolio increased 5% to \$725 million (market value \$705 million), compared to \$693 million (market value \$668 million) at the end of 1999. The investment portfolio represents \$21.36 per common share. Unearned premium reserves as at June 30, 2000 grew to \$250.3 million, an increase of 29% since the beginning of the year. Book value per share increased 5% to \$7.50 during the first half of the year.

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 U.S. 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. The Company also operates reinsurance subsidiaries in Barbados and Bermuda. Kingsway Financial, Kingsway General, York Fire and Jevco are all rated "A" Excellent by A.M. Best. The Company's senior debt is rated 'BBB-' (investment grade) by Standard and Poor's. 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 OPERATIONS
For the six months ended June 30, 2000 and 1999
(\$ in Thousands, except for per share amounts)

	Quarter to June 30:		6 months to June 30:	
	2000	1999	2000	1999
	(unaudited)			
Gross premiums written	\$172,108	\$138,895	\$306,110	\$263,443
Net premiums written	\$163,452	\$131,875	\$290,527	\$241,750
Net premiums earned	\$133,436	\$110,998	\$241,818	\$215,417
Investment income	11,248	9,806	20,939	19,533
Net realized gains	2,345	2,583	4,022	2,689
	147,029	123,387	266,779	237,639
Net claims incurred	92,491	68,943	170,941	135,915
Commissions & premium taxes	25,468	21,736	45,659	42,913
General expenses & other	16,291	14,298	32,340	28,772
Interest expense	2,693	2,924	5,166	4,767
	136,943	107,901	254,106	212,367
Income before income taxes	10,086	15,486	12,673	25,272
Income taxes	1,586	4,686	(298)	6,970
Net income before goodwill	8,500	10,800	12,971	18,302
Amortization of goodwill, net of income taxes	1,317	1,105	2,592	2,110
Net income	\$7,183	\$9,695	\$10,379	\$16,192
Earnings per share before goodwill:				
Basic:	\$0.25	\$0.30	\$0.38	\$0.51
Fully diluted:	\$0.24	\$0.30	\$0.37	\$0.51
Earnings per share:				
Basic:	\$0.21	\$0.27	\$0.30	\$0.45
Fully diluted:	\$0.21	\$0.27	\$0.30	\$0.45
Claims ratio	69.3%	62.1%	70.7%	63.1%
Expense ratio	31.3%	32.5%	32.2%	33.3%
Combined ratio	100.6%	94.6%	102.9%	96.4%
Underwriting profit (loss)	\$(816)	\$6,021	\$(7,123)	\$7,817
Return on equity (annualized)	11.5%	15.1%	8.4%	12.7%
Book value per share			\$7.50	\$7.27

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEET
As at June 30, 2000 and 1999
(\$ in Thousands)

	2000	1999
	(unaudited)	
ASSETS		
Cash	\$ 24,510	\$ 15,354
Investments and financed premiums receivable	694,098	669,906
Accrued investment income	6,148	5,513
Accounts receivable and other assets	94,427	81,373
Due from reinsurers and other insurers	119,420	137,333
Deferred policy acquisition costs	51,095	42,779
Income taxes recoverable	5,761	-
Future income taxes	21,477	18,514
Capital assets	27,062	27,932
Goodwill	78,993	70,898
	<u>\$1,122,991</u>	<u>\$1,069,602</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank indebtedness	\$ 149,254	\$ 148,089
Accounts payable & other liabilities	27,669	26,234
Unearned premiums	250,275	205,060
Unpaid claims	433,078	428,073
Other	8,259	2,361
	<u>868,535</u>	<u>809,817</u>
SHAREHOLDERS' EQUITY		
Share capital	148,060	162,139
Currency translation adjustment	3,307	2,342
Retained earnings	103,089	95,304
	<u>254,456</u>	<u>259,785</u>
	<u>\$1,122,991</u>	<u>\$1,069,602</u>

KINGSWAY FINANCIAL SERVICES INC.
SUPPLEMENTARY INFORMATION TO PRESS RELEASE
For the six months ended June 30, 2000
(\$ in Thousands)

1. Investments and financed premiums receivable:

	June 30, 2000	
	Carrying Amount	Fair value
Term deposits	\$ 82,162	\$ 82,207
Bonds:		
Government	265,162	256,149
Corporate	189,387	183,583
Preferred shares	12,919	11,770
Common shares	75,975	72,153
Financed premiums	68,493	68,493
	\$ 694,098	\$ 674,355

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF CASHFLOWS
For the six months ended June 30, 2000 and 1999
(\$ in Thousands)

	2000	1999
	(unaudited)	
Operating activities:		
Net income	\$10,379	\$16,192
Items not involving cash:		
Amortization	4,714	3,717
Future income taxes	178	(4,047)
Net realized (gains) on sale of investments	(4,022)	(2,689)
Amortization of bond premiums (discounts)	(1,147)	195
	10,102	13,368
 Net change in non-cash balances:	 17,993	 2,109
	28,095	15,477
 Financing activities:		
(Cancellation) of share capital, net	(402)	(2,370)
Increase (decrease) in bank indebtedness	(2,499)	40,045
	(2,901)	37,675
 Investing activities:		
Purchase of investments	(487,495)	(699,134)
Proceeds from sales of investments	485,624	679,539
Financed premiums receivable, net	(9,559)	1,292
Purchase of subsidiaries	-	(28,492)
Cash acquired on purchase of subsidiaries	-	3,660
Additions to capital assets	(1,316)	(1,842)
	(12,746)	(44,977)
 Increase (decrease) in cash during period	 12,448	 8,175
 Cash, beginning of period	 12,062	 7,179
 Cash, end of period	 \$24,510	 \$15,354