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TSE SYMBOL: KFS

KINGSWAY REPORTS RESULTS FOR 1999 AND Q4

Toronto, Ontario (February 24, 2000) – Kingsway Financial Services Inc. today announced financial results for the fourth quarter and year ended December 31, 1999:

Fiscal 1999 Highlights

- Gross premiums increased 24% to \$508.6 million
- Retained 92% of gross premiums written, compared with 78% in 1998
- Earnings per share (fully diluted and basic) of 38 cents
- Net income of \$13.6 million
- Combined ratio of 102.6% for the year
- 104.8% for the Canadian operations
- 100.6% for the U.S. operations
- Reserve redundancy for third consecutive year

As previously reported, the Company's results were affected by increases in unpaid claims of approximately \$21 million related to fourth-quarter events. Provisions include approximately \$13 million for a non-core residual value insurance program, which the Company has discontinued. The Company also realized losses of \$1,909,000 on the disposals of investments during the fourth quarter. Consolidated net loss for the fourth quarter of 1999 was \$12,621,000, compared with income of \$7,795,000 reported in the same quarter last year.

For fiscal 1999, fully diluted and basic earnings per common share were 38 cents, compared with 86 cents for the previous year. The Company previously announced that it expected to report earnings of between 28 and 33 cents for 1999. Earnings per share before goodwill amortization were 52 cents for the year, compared with 93 cents for 1998.

“We feel very positive about the outlook for the Company for the year 2000, as we see improving pricing in several markets and continue to see substantial growth in our non-standard automobile business in Canada,” said Bill Star, President and Chief Executive Officer.

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Solid Premium Growth

During the fourth quarter, gross premiums written increased by 33% to a fourth-quarter record \$118,264,000. Gross premiums for the year increased 24% to \$508,595,000. The Company retained 92% of gross premiums written in fiscal 1999, compared with 78% in 1998.

In the fourth quarter, gross premiums written from the Company's Canadian operations were \$56,343,000 (\$234,317,000 for the year). The Company's U.S. operations generated premiums of \$61,921,000 in the quarter (\$274,278,000 for the year). Gross premiums written from the Company's non-standard automobile business in Canada increased by 41% in the fourth quarter and by 40% in the last half of the year compared with the same periods last year. This growth has continued into fiscal 2000, as indicated by year-to-date new business, which has increased by approximately 70% over last year.

Net premiums earned increased 40% to \$110,034,000 for the fourth quarter and by 42% for the year to \$445,557,000. Fourth-quarter net premiums earned from Canadian operations increased by 24% to \$51,540,000 (by 8% to \$207,882,000 for the year). Net premiums earned from U.S. operations increased 58% for the fourth quarter to \$58,494,000 (by 94% to \$237,675,000 for the year).

Underwriting Profit & Combined Ratio

Underwriting loss for the quarter was \$26,188,000, compared with an underwriting profit of \$7,080,000 in the same period last year. Underwriting loss for the year was \$11,458,000, compared with an underwriting profit of \$19,075,000 for 1998.

For the third consecutive year Kingsway reported a redundancy in the estimate of opening unpaid claims. This redundancy as at December 31, 1999 on net unpaid claims established at December 31, 1998 was \$6,377,000, or 2% of the reserves established at that date.

The combined ratio for fiscal 1999 was 102.6%, compared with 93.9% for 1998. The impact of the residual value insurance (RVI) program and other unusual fourth-quarter losses increased the combined ratio by approximately 18% for the quarter and 4% for the year.

The combined ratio for the Company's Canadian operations was 104.8% (97.8% excluding the impact of the RVI program) compared with 92% in 1998. The U.S. operations had a combined ratio of 100.6%, compared with 97.0% in 1998. These compare with combined ratios for the Canadian and U.S. insurance industries which are expected to be in the 106 – 107% range.

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Investment and Premium Finance Income

Investment income for the fourth quarter was \$8,111,000, an increase of 19% over the same period last year. For the full year, investment income increased 23% to \$37,798,000. During the fourth quarter the Company disposed of certain equity securities which resulted in a net loss of \$1,909,000. Net realized gains for the year amounted to \$950,000, compared with \$6,945,000 in 1998.

Strong Balance Sheet

Total assets as at December 31, 1999 were \$1.07 billion. The Company's investment portfolio increased by 9% to \$693 million, and represented \$20.38 per common share at December 31, 1999. The book value per common share was \$7.12 as at December 31, 1999.

Normal Course Issuer Bid

Kingsway renewed its normal course issuer bid effective September 8, 1999 and purchased 1,690,400 shares prior to December 31, 1999, which is approximately 4.7% of the outstanding shares at the commencement of the program. The Company purchased shares at prices between \$7.05 and \$9.00 prior to December 31, 1999 with an average price of \$7.86. 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.

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. The Company also operates through reinsurance subsidiaries in Barbados and Bermuda. Kingsway Financial, 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 twelve months ended December 31, 1999 and 1998
(\$ in Thousands, except for per share amounts)

	Quarter to Dec 31:		12 months to Dec 31:	
	1999	1998	1999	1998
	(unaudited)			
Gross premiums written	\$118,264	\$88,738	\$508,595	\$409,200
Net premiums written	\$107,437	\$75,448	\$468,874	\$320,396
Net premiums earned	\$110,034	\$78,667	\$445,557	\$314,651
Investment income	8,111	6,810	37,798	30,654
Net realized gains/(loss)	(1,909)	943	950	6,945
	116,236	86,450	484,305	352,250
Net claims incurred	95,319	44,355	304,541	193,801
Commissions & premium taxes	24,059	19,379	90,844	61,927
General & other expenses	16,844	7,853	61,630	39,848
Interest expense	3,548	1,231	10,557	2,034
	139,770	72,818	467,572	297,610
Income (loss) before income taxes	(23,534)	13,632	16,733	54,640
Income taxes	(12,718)	5,101	(1,896)	20,873
Net income (loss) before goodwill	(10,816)	8,531	18,629	33,767
Amortization of goodwill, net of income taxes	1,805	736	5,031	2,756
Net Income	\$(12,621)	\$7,795	\$13,598	\$31,011
Earnings per share before goodwill:				
Basic:	\$(0.30)	\$0.24	\$0.52	\$0.93
Fully diluted:	\$(0.30)	\$0.24	\$0.52	\$0.93
Earnings per share:				
Basic:	\$(0.35)	\$0.21	\$0.38	\$0.86
Fully diluted:	\$(0.35)	\$0.21	\$0.38	\$0.86
Claims ratio	86.6%	56.4%	68.4%	61.6%
Expense ratio	37.2%	34.6%	34.2%	32.3%
Combined ratio	123.8%	91.0%	102.6%	93.9%
Underwriting profit	\$(26,188)	\$7,080	\$(11,458)	\$19,075
Return on equity (annualized)	(19.9%)	12.6%	5.5%	13.4%
Book value per share			\$7.12	\$6.96

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

	1999	1998
ASSETS		
Cash	\$ 12,062	\$ 7,179
Investments and financed premiums receivable	674,134	620,450
Accrued investment income	6,808	6,153
Accounts receivable and other assets	68,946	70,082
Due from reinsurers and other insurers	135,526	167,343
Deferred policy acquisition costs	40,185	38,691
Income taxes recoverable	6,477	2,552
Future income taxes	20,370	13,754
Capital assets	26,719	20,770
Goodwill	79,399	65,802
	<u>\$1,070,626</u>	<u>\$ 1,012,776</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank indebtedness	\$ 153,270	\$ 100,863
Accounts payable and other liabilities	25,311	23,003
Unearned premiums	193,375	188,810
Unpaid claims	444,689	446,245
Other	11,864	3,790
	<u>828,509</u>	<u>762,711</u>
SHAREHOLDERS' EQUITY		
Share capital	148,462	164,509
Currency translation adjustment	945	6,444
Retained earnings	92,710	79,112
	<u>242,117</u>	<u>250,065</u>
	<u>\$ 1,070,626</u>	<u>\$ 1,012,776</u>

KINGSWAY FINANCIAL SERVICES INC.
SUPPLEMENTARY INFORMATION TO PRESS RELEASE
For the twelve months ended December 31, 1999
(\$ in thousands)

1. Investments and financed premiums receivable:

	December 31, 1999	
	Carrying Amount	Fair value
Term deposits:	\$ 79,572	\$ 79,556
Bonds:		
Government	272,622	261,838
Corporate	179,336	174,240
Preferred shares	13,193	12,088
Common shares	70,997	63,493
Financed premiums	58,414	58,414
	\$ 674,134	\$ 649,629

2. Unpaid claims:

	1999
Unpaid claims – beginning of year – net	\$ 310,975
Net unpaid claims of subsidiaries acquired	13,393
Provision for claims occurring:	
In the current year	309,431
In prior years	(6,377)
Claims paid during the year	(293,445)
Currency translation adjustment	(9,105)
Unpaid claims – end of year – net	324,872
Reinsurers' and other insurers share of unpaid claims	119,817
Unpaid claims – end of year	\$ 444,689

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the twelve months ended December 31, 1999 and 1998
(\$ in Thousands)

	1999	1998
Operating activities:		
Net income	13,598	\$31,011
Items not involving cash:		
Amortization	8,307	4,789
Future income taxes	(6,454)	8,197
Net realized gain on sale of investments	(950)	(6,945)
Amortization of bond premiums & discounts	(65)	(392)
	<u>14,436</u>	<u>36,660</u>
Net change in non-cash balances:	19,284	26,390
	<u>33,720</u>	<u>63,050</u>
Financing activities:		
(Cancellation) of share capital, net	(16,047)	(638)
Increase in bank indebtedness	46,429	86,569
	<u>30,382</u>	<u>85,931</u>
Investing activities:		
Purchase of investments	(1,188,108)	(1,178,756)
Proceeds from sales of investments	1,159,847	1,164,842
Financed premiums receivable, net	(1,508)	7,872
Purchase of subsidiaries	(30,683)	(147,596)
Cash acquired on purchase of subsidiaries	3,660	9,191
Additions to capital assets	(2,427)	(3,135)
	<u>(59,219)</u>	<u>(147,582)</u>
Increase (decrease) in cash during period	4,883	1,399
Cash, beginning of period	7,179	5,780
Cash, end of period	<u>\$12,062</u>	<u>\$7,179</u>

KINGSWAY FINANCIAL SERVICES INC.
SUMMARY OF KEY DATA

(\$'000's)	1997	1998				1999					
	Year	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Gross premiums written	\$210,795	\$95,901	\$123,801	\$100,760	\$88,738	\$409,200	\$124,548	\$138,895	\$126,888	\$118,264	\$508,595
Net premiums written	186,813	66,041	97,673	81,234	75,448	320,396	109,875	131,875	119,687	107,437	468,874
Net premiums earned	174,462	61,940	81,499	92,545	78,667	314,651	104,420	110,998	120,105	110,034	445,557
Total investment income	21,836	10,452	10,018	9,346	7,783	37,599	9,833	12,389	10,324	6,202	38,748
Total revenues	196,298	72,392	91,517	101,891	86,450	352,250	114,253	123,387	130,429	116,236	484,305
Income before income taxes	28,340	13,109	10,237	15,222	12,871	51,439	8,640	14,244	13,741	(25,475)	11,150
Net income	22,151	7,456	6,432	9,328	7,795	31,011	6,497	9,695	10,027	(12,621)	13,598
Underwriting profit	7,319	3,298	1,510	7,187	7,080	19,075	1,796	6,021	6,913	(26,188)	(11,458)
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	1,070,626	1,070,626
Unearned premiums	89,885	153,183	178,031	163,618	188,810	188,810	194,738	205,060	199,182	193,375	193,375
Shareholders' equity	213,248	219,504	229,805	243,495	250,065	250,065	254,380	259,785	266,221	242,117	242,117
Claims ratio	65.3%	62.5%	66.0%	61.5%	56.4%	61.6%	64.1%	62.1%	61.0%	86.6%	68.4%
Expense ratio	30.5%	32.1%	32.1%	30.7%	34.6%	32.3%	34.2%	32.5%	33.2%	37.2%	34.2%
General expense ratio	10.6%	16.8%	13.6%	11.4%	10.0%	12.7%	13.9%	12.9%	13.3%	15.3%	13.8%
Combined ratio	95.8%	94.6%	98.1%	92.2%	91.0%	93.9%	98.3%	94.6%	94.2%	123.8%	102.6%
Return on equity	16.5%	13.8%	11.5%	15.8%	12.6%	13.4%	10.3%	15.1%	15.3%	(19.9)%	5.5%
Earnings per share											
Basic	\$0.74	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86	\$0.18	\$0.27	\$0.28	\$(0.35)	\$0.38
Fully Diluted	\$0.73	\$0.21	\$0.18	\$0.26	\$0.21	\$0.86	\$0.18	\$0.27	\$0.28	\$(0.35)	\$0.38
Average shares O/S ('000)											
Basic	29,956	35,847	35,882	35,954	35,932	35,904	35,976	35,879	35,689	34,850	35,595
Fully Diluted	30,495	36,348	36,461	36,526	36,504	36,443	36,596	36,727	36,533	35,684	36,375
Book Value per share	\$5.95	\$6.12	\$6.40	\$6.76	\$6.96	\$6.96	\$7.08	\$7.27	\$7.52	\$7.12	\$7.12