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TSE SYMBOL: KFS

**KINGSWAY ANNOUNCES PRELIMINARY FOURTH QUARTER AND FISCAL
YEAR-END 1999 RESULTS**

Toronto, Ontario (January 21, 2000) – Kingsway Financial Services Inc. today announced that, based on a preliminary analysis of unaudited results, it will report a loss in its fiscal 1999 fourth quarter of 40 to 45 cents per share. Fully diluted earnings per share for the year are estimated at 28 to 33 cents. The Company expects to report a combined ratio of approximately 102% for fiscal 1999 (1998 - 93.9%). Gross premiums written will exceed \$500 million (1998 - \$409 million) and net premiums written will exceed \$450 million (1998 - \$320 million).

The most significant factor contributing to fourth-quarter performance was a reserve increase of approximately \$13 million relating to a residual value program at the Company's Kingsway General subsidiary. The Company has taken a conservative position by reserving for claims at the policy limit for the initial policy period. The Company has issued notice of cancellation to the insured pending further review of the future viability of this program.

“We have reacted quickly and decisively to minimize the impact from the residual value program on future results,” said Bill Star, President & Chief Executive Officer. “Although we are disappointed to have broken our record of nine consecutive years of underwriting profit, we believe the actions we have taken will allow the Company to continue producing excellent underwriting results within our target range in the year 2000.”

In addition, the Company had unusually high claims activity in the fourth quarter in its motorcycle business because of an extended motorcycle riding season, an increase in liability claims, as well as higher claims related to several large fires. Collectively, these factors amounted to an increase in reserves of \$8 million.

The strengthening of reserves in the fourth quarter added 5% to the combined ratio for the year.

Despite these unusual items, the Company expects to report a profit for the year, as well as an increase in book value per share and a combined ratio that is substantially better than the industry averages in both Canada and the United States. Book value per share, after adjusting for the estimated fourth quarter results, is expected to be between \$7.04 and \$7.11 at December 31, 1999, compared with \$6.96 at December 31, 1998.

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The Company continued to see substantial profitable growth in its core non-standard automobile business in Canada since the exit of a major competitor. This led to an increase in production in the second half of 1999, which will benefit results in the year 2000.

The Company also reported that there would be temporary increases in the expense ratios in certain markets, notably Florida and the Southeastern U.S, because of volume reductions. The Company has reduced volumes in these markets because of competitive underpricing.

“Consistent with our underwriting strategy, which emphasizes profit rather than volume, we have refused to accept underpriced business. However, several major competitors have recently increased rates in these markets and we are optimistic that this will create an opportunity for profitable growth in fiscal 2000,” Mr. Star added.

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 common shares of Kingsway Financial Services Inc. are listed on the Toronto Stock Exchange, under the trading symbol “KFS”.

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