

KINGSWAY REPORTS RECORD Q4 RESULTS AND NET INCOME DOUBLES FOR THE YEAR

Toronto, Ontario (February 22, 2001) – Kingsway Financial Services Inc. (TSE: KFS) today announced its financial results for the fourth quarter and year ended December 31, 2000.

Highlights

For Q4

- Record Q4 earnings per share of 22 cents (basic and fully diluted)
- Net income of \$7.4 million
- Record quarterly gross premiums written of \$174 million (47% increase)
- Return on equity of 10.9%

For the Year

- Net income doubled to \$27.5 million
- Fully diluted earnings per share increased 111% to 80 cents
- Combined ratio improved to 101%, significantly outperforming the industry
- Expense ratio improved to 32.1% compared with 34.2% last year
- Record gross premiums written of \$643 million (26% increase)
- Return on Equity of 10.7%
- Company reported redundancy in estimated opening claims for fourth consecutive year

Net income for the fourth quarter was \$7.4 million, compared with a loss of \$12.6 million in the same quarter last year. Net income for the year was \$27.5 million, an increase of 102% compared with \$13.6 million for fiscal 1999.

Basic and fully diluted earnings per share were a fourth quarter record of 22 cents, compared with the 35 cent loss reported in the same quarter last year. Basic earnings per share for the year were 81 cents, an increase of 113% from the 38 cents last year. Fully diluted earnings per share were 80 cents compared to 38 cents last year. Earnings per share before goodwill (fully diluted) was 27 cents for the quarter, and 96 cents for the year, representing an 85% increase from the 52 cents for fiscal 1999.

“I am very pleased with the improvement in earnings as well as the significant internal growth during the year”, said Bill Star, President and Chief Executive Officer. “We continue to outperform the Canadian and U.S. industry results by a wide margin. Currently, we are experiencing very strong growth in our core business, and are poised to see the full benefit of our 2000 growth in the coming quarters. Prices continue to increase in most markets, and I am extremely optimistic about the prospects and opportunities for 2001”.

more...

Solid Premium Growth

During the fourth quarter, gross premiums written increased by 47% to a record quarterly level of \$173.7 million. Net premiums written grew by 51% to \$162.1 million. For the year, gross premiums written grew 26% to \$643.0 million, and net premiums written increased 29% to \$604.7 million, again reaching record levels.

Gross premiums written for the Company's Canadian operations grew 24% to \$289.4 million and gross premiums written for the U.S. operations grew 29% to \$353.6 million compared to last year. Net premiums earned for the quarter increased 36% to a record \$149.4 million (21% year-to-date to a record \$540.0 million).

Underwriting Profit & Combined Ratio

The Company's combined ratio improved to 101% for the year compared to 102.6% in 1999. The combined ratio for the Company's Canadian operations was 101.8% and the combined ratio for U.S. operations was 100.9% for the year. This compares favourably to industry averages for the first nine months of 2000 of 107.4% for the Canadian industry and 108.9% for the U.S. industry.

The expense ratio for the quarter improved to 33.6% (32.1% for the year) compared with 37.2% (34.2% for the year) last year. As a result of the growing earned premium base, the general expense ratio improved to 11.7% for the quarter (12.4% for the year) compared with 15.3% (13.8% for the year) last year. Increasing levels of earned premiums should continue to have a positive impact on the general expense ratio during 2001.

Investments and Premium Finance Income

Investment income for the quarter increased 48% to \$12.0 million (18% to \$44.6 million for the year) from \$8.1 million in the fourth quarter of 1999. During the quarter, realized gains amounted to \$4.5 million (\$10.4 million for the year) compared with \$1.9 million loss for the fourth quarter of 1999 (\$0.9 million for fiscal 1999), reflecting the strong performance of the company's value oriented equity portfolio.

Strong Balance Sheet and Cash Flow

Total assets at December 31, 2000 grew by 10% to \$1.17 billion. The investment portfolio increased 14% to \$787.5 million (market value \$787.1 million), compared with \$693.0 million (market value \$668.5 million) at the end of 1999. The investment portfolio represented \$23.12 per common share, at the end of the year an increase of 13% over the previous year-end. The growth in the investment portfolio is attributable to the significant positive cash flow generated from the Company's operations during the year. Unearned premium reserves as at December 31, 2000 grew 39% to \$268.2 million, from the beginning of the year. Book value per share increased 13% to \$8.01.

more...

Conference Call

The Company will have a conference call at 4:00 p.m. on February 22, 2001. The conference call will be broadcast live on Kingsway's website at www.kingsway-financial.com and at www.q1234.com where it will be archived for one 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, Jevco and Kingsway Reinsurance (Bermuda) 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".

- 30 -

For further information, please contact:

Shaun Jackson

Executive Vice President and Chief Financial Officer

Tel: (905) 629-7888

Fax: (905) 629-5008

Web Site: www.kingsway-financial.com

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF OPERATIONS
For the twelve months ended December 31, 2000 and 1999
(\$ in Thousands, except for per share amounts)

	Quarter to Dec. 31:		12 months to Dec 31:	
	2000	1999	2000	1999
	(unaudited)			
Gross premiums written	\$173,675	\$118,264	\$643,022	\$508,595
Net premiums written	\$162,119	\$107,437	\$604,693	\$468,874
Net premiums earned	\$149,356	\$110,034	\$539,969	\$445,557
Investment income	12,005	8,111	44,576	37,798
Net realized gains/(losses)	4,494	(1,909)	10,444	950
	165,855	116,236	594,989	484,305
Net claims incurred	101,618	95,319	371,946	304,541
Commissions & premium taxes	32,557	24,059	106,378	90,844
General & other expenses	17,505	16,844	66,925	61,630
Interest expense	3,674	3,548	11,408	10,557
	155,354	139,770	556,657	467,572
Income (loss) before income taxes	10,501	(23,534)	38,332	16,733
Income taxes	1,731	(12,718)	5,393	(1,896)
Net income (loss) before goodwill	8,770	(10,816)	32,939	18,629
Amortization of goodwill, net of income taxes	1,401	1,805	5,469	5,031
Net income	\$7,369	\$(12,621)	\$27,470	\$13,598
Earnings per share before goodwill:				
Basic:	\$0.26	\$(0.30)	\$0.97	\$0.52
Fully diluted:	\$0.27	\$(0.30)	\$0.96	\$0.52
Earnings per share:				
Basic:	\$0.22	\$(0.35)	\$0.81	\$0.38
Fully diluted:	\$0.22	\$(0.35)	\$0.80	\$0.38
Claims ratio	68.0%	86.6%	68.9%	68.4%
Expense ratio	33.6%	37.2%	32.1%	34.2%
Combined ratio	101.6%	123.8%	101.0%	102.6%
Underwriting profit (loss)	\$(2,324)	\$(26,188)	\$(5,280)	\$(11,458)
Return on equity (annualized)	10.9%	(19.9%)	10.7%	5.5%
Book value per share			\$8.01	\$7.12

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEETS
As at December 31, 2000
(\$ in Thousands)

	Dec 31, 2000	Dec. 31 1999
ASSETS		
Cash	\$ 29,840	\$ 12,062
Investments and financed premiums receivable	750,670	674,134
Accrued investment income	6,960	6,808
Accounts receivable and other assets	92,343	68,946
Due from reinsurers and other insurers	112,510	135,526
Deferred policy acquisition costs	53,467	40,185
Income taxes recoverable	-	6,477
Future income taxes	21,149	20,370
Capital assets	28,229	26,719
Goodwill	78,758	80,483
	<u>\$1,173,926</u>	<u>\$1,071,710</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank indebtedness	\$ 143,129	\$ 153,270
Accounts payable & other liabilities	42,462	26,470
Income taxes payable	1,837	-
Unearned premiums	268,208	193,375
Unpaid claims	435,322	444,689
Other	10,255	11,864
	<u>901,213</u>	<u>829,668</u>
SHAREHOLDERS' EQUITY		
Share capital	148,481	148,462
Currency translation adjustment	4,052	870
Retained earnings	120,180	92,710
	<u>272,713</u>	<u>242,042</u>
	<u>\$1,173,926</u>	<u>\$1,071,710</u>

KINGSWAY FINANCIAL SERVICES INC.
SUPPLEMENTARY INFORMATION TO PRESS RELEASE
For the twelve months ended December 31, 2000
(\$ in Thousands)

1. Investment and financed premiums receivable:

	December 31, 2000	
	Carrying Amount	Fair value
Term deposits:	\$ 114,912	\$ 114,861
Bonds:		
Government	219,819	219,278
Corporate	236,506	233,883
Preferred shares	12,778	11,862
Common shares	83,332	87,056
Financed premiums	83,323	83,323
	\$ 750,670	\$ 750,263

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF CASHFLOWS
For the twelve months ended December 31, 2000 and 1999
(\$ in Thousands)

	2000	1999
Cash provided by (used in)		
Operating activities:		
Net income	\$27,470	\$13,598
Items not involving cash:		
Amortization	10,327	8,307
Future income taxes	(276)	(6,454)
Net realized gains on sale of investments	(10,444)	(950)
Amortization of bond premiums (discounts)	(2,977)	(65)
	<u>24,100</u>	<u>14,436</u>
Net change in non-cash balances	<u>68,406</u>	<u>19,284</u>
	92,506	33,720
Financing activities:		
(Cancellation) of share capital, net	19	(16,047)
Increase (decrease) in bank indebtedness	(14,445)	46,429
	<u>(14,426)</u>	<u>30,382</u>
Investing activities:		
Purchase of investments	(1,249,692)	(1,188,108)
Proceeds from sales of investments	1,221,913	1,159,847
Financed premiums receivable, net	(24,191)	(1,508)
Purchase of subsidiaries`	(4,468)	(30,683)
Cash acquired on purchase of subsidiaries	-	3,660
Additions to capital assets	(3,864)	(2,427)
	<u>(60,302)</u>	<u>(59,219)</u>
Increase in cash during year	17,778	4,883
Cash, beginning of year	12,062	7,179
Cash, end of year	<u><u>\$29,840</u></u>	<u><u>\$12,062</u></u>