

## **KINGSWAY REPORTS Q1: EPS TRIPLES, RECORD RESULTS**

**Toronto, Ontario (May 3, 2001)** – Kingsway Financial Services Inc. (TSE:KFS) today announced record financial results for the quarter ended March 31, 2001.

### **Q1 2001 Summary**

- Earnings per share tripled to 27 cents (fully diluted and basic)
- Trailing 12 month earnings per share (fully diluted) increased from 80 cents to 98 cents
- Earnings per share before goodwill increased 138% to 31 cents (fully diluted and basic)
- Net income increased 187% to \$9.2 million
- Combined ratio of 99.7%
- Annualized return on equity was 13.1%
- Book value per share increased 17% from a year ago to \$8.47 per share
- Gross premiums written increased 61% to a quarterly record of \$216 million
- Gross premiums increased by 91% for U.S. operations and 20% for Canadian operations
- Investment income increased by 39% to \$13.5 million

Consolidated net income increased by 187% to \$9,162,000, compared to \$3,196,000 reported in the first quarter of last year. Net income before goodwill was \$10,645,000 compared to \$4,471,000 the previous year, an increase of 138%.

Fully diluted and basic earnings per share increased to 27 cents for the quarter, compared to 9 cents for the first quarter of 2000. Fully diluted and basic earnings per share for the twelve month trailing period increased by 18 cents to 98 cents and 99 cents respectively. Earnings per share before goodwill amortization increased 138% to 31 cents, compared to 13 cents for the first quarter of 2000. For the twelve month trailing period, earnings per share before goodwill amortization increased to \$1.15 (fully diluted) and \$1.16 (basic).

“I am very pleased with the significant improvement in profitability and the growth in written premiums this quarter”, said Bill Star, President & Chief Executive Officer. “This is a very good start to the year with a return to underwriting profit, and record premium levels. It is particularly pleasing to see such strong growth and profitability from our U.S. operations. We continue to see many growth opportunities due to prices increasing to acceptable levels in most of our markets.”

### **Premium Growth**

During the first quarter of 2001, gross premiums written increased 61% to a quarterly record of \$216,035,000, compared with \$134,002,000 last year. Gross written premiums were \$42,360,000 or 24% higher than the fourth quarter of 2000, which was the previous quarterly record. Written premiums from Canadian operations grew 20% to \$67,387,000. Written premiums from U.S. operations increased 91% to \$148,648,000 compared with \$77,993,000 last year.

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Written premiums from our core lines of non-standard automobile and commercial automobile increased by 69% and 90% respectively, over the first quarter last year reflecting increased premium rates and firming market conditions. Written premium growth was experienced in all of the Company's geographic locations, with the strongest growth seen in the Southern United States, Illinois and Ontario.

Net premiums written increased 63% to \$207,014,000 compared with \$127,075,000 for the first quarter of last year. Net premiums earned increased 50% to a record \$162,206,000 for the quarter, compared with \$108,382,000 for the first quarter last year. Net premiums earned from Canadian operations increased by 36% to \$64,834,000 compared with \$47,836,000 last year. For U.S. operations, net premiums earned increased 61% to \$97,372,000 compared with \$60,546,000 in the first quarter of 2000.

The continued growth in written premiums quarter-over-quarter has increased the amount of unearned premiums, the benefit of which will accrue in subsequent quarters. Unearned premiums as at March 31, 2001 grew to \$321,228,000, an increase of 20% over the \$268,208,000 reported at the end of 2000.

### **Underwriting Profit & Combined Ratio**

The combined ratio of 99.7% for the first quarter produced an underwriting profit of \$504,000, compared with an underwriting loss of \$6,308,000 reported in the first quarter of 2000. For the quarter, the Canadian operations combined ratio improved significantly to 103.8% (110.1% last year) and for the U.S. operations it improved to 96.9% (102.5% last year).

### **Investment Income**

Investment income increased 39% to \$13,509,000 compared with \$9,691,000 for the first quarter of 2000. Realized gains amounted to \$1,858,000 compared with \$1,677,000 in the first quarter of 2000.

### **Balance Sheet**

Total assets as at March 31, 2001 grew to \$1.27 billion. Book value per share increased by 17% to \$8.47 from \$7.22 a year ago. The investment portfolio increased to \$833.3 million (market value \$837.3 million), compared to \$787.5 million (market value \$787.1 million) as at December 31, 2000. The investment portfolio represents \$24.45 per common share at March 31, 2001.

### **Further Information**

The discussion and analysis of our results of operation and information in this press release is an update of the information set forth in our 2000 Annual Report. Further information about our financial results and condition can be found in our Annual Report and other filings.

### **Conference Call and Annual Meeting**

The Company will have a conference call at 2:00 p.m. on May 3, 2001. The conference call will be broadcast live on Kingsway's website at [www.kingsway-financial.com](http://www.kingsway-financial.com) and at [www.q1234.com](http://www.q1234.com) where it will be archived for one year. The Company's Annual Meeting will be held at 4:00 p.m. on May 3, 2001 at The Design Exchange, 234 Bay Street, Toronto, Ontario.

## **Forward Looking Statements**

This press release includes “forward looking statements” that are subject to risks and uncertainties. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, see Kingsway’s securities filings, including its 2000 Annual Report under the heading Risks and Uncertainties in the Management’s Discussion and Analysis section. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## **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, Lincoln General Insurance Company, U.S. Security Insurance Company 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”.

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**For further information, please contact:**

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**KINGSWAY FINANCIAL SERVICES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**For the three months ended March 31, 2001 and 2000**  
**(In thousands of Canadian dollars, except for per share amounts)**

	<b>2001</b>	<b>2000</b>
	<b>(unaudited)</b>	
	<hr/> <hr/>	<hr/> <hr/>
Gross premiums written	\$216,035	\$134,002
Net premiums written	\$207,014	\$127,075
Revenue:		
Net premiums earned	\$162,206	\$108,382
Investment income	13,509	9,691
Net realized gains	1,858	1,677
	<hr/> 177,573	<hr/> 119,750
Expenses:		
Claims incurred	115,211	78,450
Commissions and premium taxes	27,309	20,191
General and administrative expenses	19,182	16,049
Interest expense	2,565	2,473
	<hr/> 164,267	<hr/> 117,163
Income before income taxes	13,306	2,587
Income taxes	2,661	(1,884)
Net income before goodwill	<hr/> 10,645	<hr/> 4,471
Amortization of goodwill, net of applicable income tax	<hr/> 1,483	<hr/> 1,275
Net income	<hr/> <hr/> \$9,162	<hr/> <hr/> \$3,196
Earnings per share before goodwill:		
Basic:	\$0.31	\$0.13
Fully diluted:	\$0.31	\$0.13
Earnings per share:		
Basic:	\$0.27	\$0.09
Fully diluted:	\$0.27	\$0.09
Claims ratio	71.0%	72.4%
Expense ratio	28.7%	33.4%
Combined ratio	99.7%	105.8%
Underwriting profit (loss)	\$504	\$(6,308)
Return on equity (annualized)	13.1%	5.2%
Book value per share	\$8.47	\$7.22

**KINGSWAY FINANCIAL SERVICES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**As at March 31, 2001 and December 31, 2000**  
**(In thousands of Canadian dollars)**

	<b>2001</b>	<b>2000</b>
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Cash	\$ 32,637	\$ 29,840
Investments	793,368	750,670
Accrued investment income	7,254	6,960
Accounts receivable and other assets	134,396	92,343
Due from reinsurers and other insurers	99,777	112,510
Deferred policy acquisition costs	66,646	53,467
Income taxes recoverable	1,102	-
Future income taxes	19,315	21,149
Capital assets	30,046	28,229
Goodwill	80,851	78,758
	\$1,265,392	\$1,173,926
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Bank indebtedness	\$ 146,969	\$ 143,129
Accounts payable and accrued liabilities	44,300	42,462
Income taxes payable	-	1,837
Unearned premiums	321,228	268,208
Unpaid claims	452,928	435,322
Other liabilities	11,238	10,255
	976,663	901,213
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	148,607	148,481
Currency translation adjustment	10,780	4,052
Retained earnings	129,342	120,180
	288,729	272,713
	\$1,265,392	\$1,173,926

**KINGSWAY FINANCIAL SERVICES INC.**  
**SUPPLEMENTARY INFORMATION TO PRESS RELEASE**  
**For the three months ended March 31, 2001**  
**(In thousands of Canadian dollars)**

**1. Investments:**

	March 31, 2001	
	Carrying Amount	Fair value
Term deposits	\$ 108,501	\$ 108,501
Bonds:		
Government	197,161	197,307
Corporate	306,842	307,731
Preferred shares	13,211	12,397
Common shares	85,521	89,315
Financed premiums	82,132	82,132
	\$ 793,368	\$ 797,383

**KINGSWAY FINANCIAL SERVICES INC.**  
**CONSOLIDATED STATEMENTS OF CASHFLOWS**  
**For the three months ended March 31, 2001 and 2000**  
**(In thousands of Canadian dollars)**

	<b>2001</b>	<b>2000</b>
	<b>(unaudited)</b>	
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Net income	\$9,162	\$3,196
Items not affecting cash:		
Amortization	2,838	3,826
Future income taxes	3,385	66
Net realized gains	(1,858)	(1,677)
Amortization of bond premiums and discounts	(1,845)	(454)
	11,682	4,957
Net change in non-cash balances:	12,472	(3,078)
	24,154	1,879
<b>Financing activities:</b>		
Increase of share capital, net	126	-
Decrease in bank indebtedness	(3,182)	(4,735)
	(3,056)	(4,735)
<b>Investing activities:</b>		
Purchase of investments	(481,162)	(225,863)
Proceeds from sale of investments	461,472	223,825
Financed premiums receivable, net	3,094	(2,309)
Additions to capital assets	(1,705)	(632)
	(18,301)	(4,979)
Increase (decrease) in cash during period	2,797	(7,835)
Cash, beginning of period	29,840	12,062
Cash, end of period	\$32,637	\$4,227