

KINGSWAY REPORTS RECORD EARNINGS AND REVENUES

Toronto, Ontario (November 8, 2001) – Kingsway Financial Services Inc. (TSE:KFS, NYSE:KFS) today announced record financial results for the quarter and nine months ended September 30, 2001.

Q3 2001 Summary

- Fully diluted earnings per share increased 29% to a quarterly record of \$0.36 on 17% more shares outstanding
- Trailing 12 month earnings per share (fully diluted) increased to \$1.18
- Net income increased 47% to a quarterly record of \$14.3 million
- Combined ratio of 96.4%
- Annualized return on equity was 17.0%
- Gross premiums written increased 82% to a quarterly record of \$297.5 million

Net income for the third quarter increased 47% to a new quarterly record of \$14.3 million compared to \$9.7 million last year. Net income for the nine month period was \$34.9 million, an increase of 74% over the \$20.1 million reported last year. Net income before goodwill was \$15.8 million for the third quarter compared to \$11.2 million last year, an increase of 41%. For the nine month period, net income before goodwill was \$39.3 million, an increase of 63% over \$24.2 million last year.

Fully diluted earnings per share for the third quarter were a record \$0.36, an increase of 29% over \$0.28 cents despite 17% more shares outstanding. For the nine month period, fully diluted earnings per share were \$0.96 compared to \$0.58 last year. Fully diluted earnings per share for the twelve month trailing period increased to \$1.18. For the first nine months, earnings per share before goodwill amortization increased 54% to \$1.08 on a fully diluted basis, compared to \$0.70 last year.

“It is very pleasing to again report record earnings and premium revenues for the quarter and for the first nine months of the year. It is particularly gratifying to see the benefit of maintaining our disciplined operating strategy during the soft market conditions in 1999 and 2000 is now starting to come through in our results”, said Bill Star, President and Chief Executive Officer. “Increased pricing levels as well as a contraction of underwriting capacity in North American markets are creating unprecedented opportunities for us. We are benefiting from these market conditions as the industry refocuses on improving its underwriting results, and as a result, I continue to be very optimistic about our future results and prospects.”

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Premium Growth

During the third quarter of 2001 gross premiums written increased 82% to a quarterly record of \$297.5 million compared with \$163.2 million last year. Gross premiums written were \$37.4 million or 14% higher than the second quarter of 2001 which was the previous quarterly record. For the year-to-date, gross premiums written increased by 65% to \$773.7 million compared to \$469.3 million last year. The growth in written premiums for the first nine months of the year is attributable to our core business lines of non-standard automobile which increased by 53%, and trucking which increased by 185%. The newly established relationships with Access and Reliant have produced \$65.1 million in written premiums this year, including \$50.4 million in the third quarter.

For the quarter, gross premiums written grew by 35% to \$97.8 million for the Company's Canadian operations, and by 120% to \$199.7 million for the U.S. operations compared to last year. For the nine months, gross premiums written from Canadian operations were \$270.5 million, compared to \$217.3 million last year, and for the U.S. operations were \$503.2 million compared to \$252.0 million last year. In the United States we have seen growth in all of our major markets.

For the third quarter, net premiums earned were \$237.3 million an increase of 60% over the same quarter last year, and 22% higher than in the second quarter of 2001. The growth is attributable to the increased written premium levels since the latter part of 2000. Net premiums earned for the first nine months of 2001 were a record \$594.4 million, an increase of 52% over the \$390.6 million last year. Net premiums earned for the first nine months of the year represented 80% of net premiums written, reflecting the substantial increase in premiums to be earned during the remainder of the current year and 2002. As a result of the continued quarter over quarter growth in written premiums, the unearned premiums as at September 30, 2001 increased 58% to \$423.5 million over the \$268.2 million reported at the end of 2000.

Underwriting Profit and Combined Ratio

The combined ratio continued to improve on a "quarter over quarter" basis, and for the third quarter 2001 was 96.4% (97.9% year-to-date) compared to 97.2% (100.8% year-to-date) last year. For the year-to-date the combined ratio for the Company's Canadian operations was 101.1% compared to 100.1% last year, and the Company's U.S. operations improved to 95.8% year-to-date compared to 101.3% last year.

The expense ratio for the quarter improved to 26.5% (27.9% year-to-date) compared with 30.4% (31.6% year-to-date) last year. The general expense ratio improved to 7.9% (9.9% year-to-date) compared with 11.5% (12.7% year-to-date) last year, as a result of the increasing earned premium base.

Investment Income

Investment income increased to \$14.1 million (\$39.1 million year-to-date) compared to \$11.6 million (\$32.6 million year-to-date) last year. During the quarter, realized gains amounted to \$1.2 million (\$6.3 million year-to-date) compared to \$1.9 million (\$6.0 million year-to-date) last year.

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Balance Sheet

Total assets at September 30, 2001 grew to \$1.54 billion. Book value per share increased by 23% to \$9.63 from \$7.83 a year ago. The investment portfolio, including cash and accrued investment income, increased to \$1.03 billion (market value \$1.04 billion), compared to \$787.5 million (market value \$787.1 million) as at December 31, 2000. The investment portfolio represents \$25.75 per common share at September 30, 2001 compared to \$23.12 at December 31, 2000.

Conference Call

The Company will have a conference call starting at 4:00 p.m. (Eastern time) on November 8, 2001. If interested in participating, please dial 1-888-343-1848 about five minutes before the start of the call. A live broadcast of the conference call can be accessed at www.newswire.ca/webcast/pages/KingswayFinancial20011108. You may also link to the broadcast through our website at www.kingsway-financial.com.

Forward Looking Statements

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.

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 and the New York Stock Exchange, under the trading symbol “KFS”.

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KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

For the periods ended September 30, 2001 and 2000

(In thousands of Canadian dollars, except for per share amounts)

	3 months to Sept. 30:		9 months to Sept. 30:	
	2001	2000	2001	2000
	(unaudited)			
Gross premiums written	\$297,522	\$163,237	\$773,684	\$469,347
Net premiums written	\$283,064	\$152,047	\$739,916	\$442,574
Revenue:				
Net premiums earned	\$237,334	\$148,795	\$594,407	\$390,613
Investment income	14,068	11,632	39,144	32,571
Net realized gains	1,249	1,928	6,294	5,950
	252,651	162,355	639,845	429,134
Expenses:				
Claims incurred	165,828	99,387	416,071	270,328
Commissions and premium taxes	44,139	28,162	107,313	73,821
General and administrative expenses	18,726	17,080	58,817	49,420
Interest expense	2,697	2,568	8,563	7,734
	231,390	147,197	590,764	401,303
Income before income taxes	21,261	15,158	49,081	27,831
Income taxes	5,475	3,960	9,775	3,662
Net income before goodwill	15,786	11,198	39,306	24,169
Goodwill amortization net of taxes	1,448	1,476	4,376	4,068
Net income	\$14,338	\$9,722	\$34,930	\$20,101
Earnings per share before goodwill:				
Basic:	\$0.40	\$0.33	\$1.09	\$0.71
Fully diluted:	\$0.40	\$0.32	\$1.08	\$0.70
Earnings per share:				
Basic:	\$0.37	\$0.29	\$0.97	\$0.59
Fully diluted:	\$0.36	\$0.28	\$0.96	\$0.58
Weighted average shares outstanding:				
Basic:	39,275	33,936	35,839	33,981
Fully diluted:	39,935	34,134	36,377	34,268
Claims ratio	69.9%	66.8%	70.0%	69.2%
Expense ratio	26.5%	30.4%	27.9%	31.6%
Combined ratio	96.4%	97.2%	97.9%	100.8%
Underwriting profit (loss)	\$8,641	\$4,167	\$12,206	\$(2,956)
Return on equity (annualized)	17.0%	15.0%	14.8%	10.6%
Book value per share			\$9.63	\$7.83

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of Canadian dollars)

	Sept. 30, 2001 (unaudited)	Dec. 31 2000 (audited)
ASSETS		
Cash	\$ 67,660	\$ 29,840
Investments	950,610	750,670
Accrued investment income	10,939	6,960
Accounts receivable and other assets	174,961	92,343
Due from reinsurers and other insurers	113,500	112,510
Deferred policy acquisition costs	91,533	53,467
Future income taxes	17,788	21,149
Capital assets	36,442	28,229
Goodwill	77,391	78,758
	<u>\$1,540,824</u>	<u>\$1,173,926</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank indebtedness	\$ 146,773	\$ 143,129
Accounts payable and accrued liabilities	61,831	42,462
Income taxes payable	395	1,837
Unearned premiums	423,525	268,208
Unpaid claims	516,949	435,322
Other liabilities	6,250	10,255
	<u>1,155,723</u>	<u>901,213</u>
SHAREHOLDERS' EQUITY		
Share capital	217,941	148,481
<i>Issued and outstanding number of common shares</i>		
<i>39,971,910 – September 30, 2001</i>		
<i>34,056,597 – December 31, 2000</i>		
Currency translation adjustment	12,050	4,052
Retained earnings	155,110	120,180
	<u>385,101</u>	<u>272,713</u>
	<u>\$1,540,824</u>	<u>\$1,173,926</u>

KINGSWAY FINANCIAL SERVICES INC.
SUPPLEMENTARY INFORMATION TO PRESS RELEASE

As at September 30, 2001 and December 31, 2000

(In thousands of Canadian dollars)

1. Cash and Investments:

	September 30, 2001	
	Carrying Amount	Fair value
Term deposits	\$ 126,139	\$ 126,137
Bonds:		
Government	267,675	274,021
Corporate	341,090	345,683
Preferred shares	11,875	11,585
Common shares	98,630	98,750
Financed premiums	105,201	105,201
	\$ 950,610	\$ 961,377

	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 STATEMENTS OF CASHFLOWS
For the periods ended September 30, 2001 and 2000
(In thousands of Canadian dollars)

	3 months to Sept. 30:		9 months to Sept. 30:	
	2001	2000	2001	2000
	(unaudited)			
Cash provided by (used in):				
Operating activities:				
Net income	\$14,338	\$9,722	\$34,930	\$20,101
Items not affecting cash:				
Amortization	2,976	2,870	8,730	7,584
Future income taxes	378	1,559	4,692	1,737
Net realized gains	(1,249)	(1,928)	(6,294)	(5,950)
Amortization of bond premiums & discounts	(1,416)	(1,038)	(4,768)	(2,185)
	<u>15,027</u>	<u>11,185</u>	<u>37,290</u>	<u>21,287</u>
Net change in non-cash balances:	<u>57,432</u>	<u>13,971</u>	<u>109,511</u>	<u>31,964</u>
	72,459	25,156	146,801	53,251
Financing activities:				
Increase (cancellation) of share capital, net	68,723	-	69,460	(402)
Increase (decrease) in bank indebtedness	587	241	(3,210)	(2,258)
	<u>69,310</u>	<u>241</u>	<u>66,250</u>	<u>(2,660)</u>
Investing activities:				
Purchase of investments	(677,085)	(389,592)	(1,671,393)	(877,087)
Proceeds from sale of investments	583,367	361,046	1,527,751	846,670
Financed premiums receivable, net	(9,567)	(415)	(21,672)	(9,974)
Additions to capital assets	(2,462)	(1,101)	(9,917)	(2,417)
	<u>(105,747)</u>	<u>(30,062)</u>	<u>(175,231)</u>	<u>(42,808)</u>
Increase in cash during period	36,022	(4,665)	37,820	7,783
Cash, beginning of period	31,638	24,510	29,840	12,062
Cash, end of period	<u>\$67,660</u>	<u>\$19,845</u>	<u>\$67,660</u>	<u>\$19,845</u>