

KINGSWAY REPORTS UNDERWRITING PROFIT AND RECORD EARNINGS AND REVENUES

Toronto, Ontario (February 21, 2002) – Kingsway Financial Services Inc. (TSE:KFS, NYSE:KFS) today announced record financial results for the quarter and year ended December 31, 2001.

For Q4

- Diluted earnings per share increased to a Q4 record of \$0.23 on 23% more shares outstanding
- Net income increased 36% to a Q4 record of \$10.0 million
- Combined ratio of 101.6%
- Gross premiums written increased 68% to \$291.6 million

For the Year

- Diluted earnings per share increased 49% to \$1.19
- Net income increased 64% to a record \$44.9 million
- Combined ratio improved to 99.1%
- Underwriting profit of \$7.6 million compared to an underwriting loss of \$5.3 million in 2000
- Gross premiums written increased 66% to a record \$1.07 billion
- Return on Equity of 13.3%
- Book value per share increased 38% to \$11.03

Net income for the fourth quarter increased 36% to a new fourth quarter record of \$10.0 million compared to \$7.4 million last year. Net income for the year was \$44.9 million, an increase of 64% over the \$27.5 million reported last year. Net income before goodwill was \$11.5 million for the fourth quarter compared to \$8.8 million last year, an increase of 31%. For the year, net income before goodwill was \$50.8 million, an increase of 54% over \$32.9 million last year.

Despite 23% more shares outstanding, diluted earnings per share for the fourth quarter were a record \$0.23. For the year, diluted earnings per share were \$1.19, a 49% increase compared to \$0.80 last year. For the year, diluted earnings per share before goodwill amortization increased 40% to \$1.34, compared to \$0.96 last year. U.S. GAAP earnings per share for the year increased 54% to \$1.25 over the \$0.81 last year, and on a diluted basis increased 53% to \$1.22 over \$0.80 last year.

“I am extremely pleased to report record earnings for the fourth quarter and for 2001”, said Bill Star, President and Chief Executive Officer. “In 2001 we reported record earnings for each quarter, producing an underwriting profit for the year which is particularly satisfying given the deteriorating results of our industry in Canada and the United States. We have built a strong foundation on which to profitably grow the company in these times of opportunity. We accomplished a great deal in 2001, and I look forward to 2002 with optimism and the expectation of continued growth and increased profitability.”

more...

Premium Growth

During the fourth quarter of 2001 gross premiums written increased 68% to a fourth quarter record of \$291.6 million compared with \$173.7 million last year. For the year, gross premiums written increased by 66% to \$1.07 billion compared to \$643.0 million in 2000. For the quarter, gross premiums written grew by 19% to \$85.6 million for the Company's Canadian operations, and by 103% to \$206.0 million for the U.S. operations compared to last year. For the year, gross premiums written from Canadian operations were \$356.1 million, compared to \$289.4 million last year, and for the U.S. operations were \$709.2 million compared to \$353.6 million last year.

For the fourth quarter, net premiums earned were \$278.4 million an increase of 86% over the same quarter last year. Net premiums earned for the year were a record \$872.8 million, an increase of 62% over the \$540.0 million in 2000. The unearned premiums as at December 31, 2001 increased 58% to \$424.1 million over the \$268.2 million reported at the end of 2000, reflecting the substantial increase in written premiums in 2001 which will be earned during 2002.

Underwriting Profit and Combined Ratio

The Company produced an underwriting profit of \$7.6 million for the year compared to an underwriting loss of \$5.3 million last year. The combined ratio for the fourth quarter 2001 was 101.6%, and for the year improved to 99.1% compared to 101.0% last year. For 2001, the combined ratio for the Company's Canadian operations was 103.1% compared to 101.1% last year, and the Company's U.S. operations improved to 96.8% compared to 100.9% last year.

The results from Canadian operations were impacted by an increase in loss ratio from 70.1% last year to 73.5% in 2001. The increase is primarily attributable to increased loss costs for bodily injury claims. Evolving case law, late reporting of information, and extended reporting periods for claimants are primarily responsible for these increased costs and loss trends. This caused the Company to increase its reserves for these lines during 2001. As a result, the Company has attained and is seeking rate increases to reflect these trends.

The expense ratio for the quarter improved to 29.8% (28.5% for the year) compared with 33.6% (32.1% for the year) last year. For the quarter, the general expense ratio improved to 8.3% (9.4% for the year) compared with 11.7% (12.4% for the year) in the same quarter last year, as a result of the greater earned premium base.

Investment Income

Investment income increased 18% to \$52.5 million for 2001 compared to \$44.6 million last year. During the year, realized gains amounted to \$12.1 million compared to \$10.4 million in 2000.

more...

Balance Sheet

Total assets at December 31, 2001 grew to \$1.78 billion. Book value per share increased by 38% to \$11.03 from \$8.01 a year ago. The investment portfolio, including cash and accrued investment income, increased to \$1.24 billion (market value \$1.25 billion), compared to \$787.5 million (market value \$787.1 million) as at December 31, 2000. The investment portfolio represents \$25.39 per common share at December 31, 2001 compared to \$23.12 as at December 31, 2000.

Conference Call

The Company will have a conference call starting at 4:00 p.m. (Eastern time) on February 21, 2002. 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/KingswayFinancial. 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”.

- 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 STATEMENTS OF OPERATIONS

For the periods ended December 31, 2001 and 2000

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

	Quarter to Dec 31:		12 months to Dec 31:	
	2001	2000	2001	2000
	(unaudited)			
Gross premiums written	\$291,578	\$173,675	\$1,065,262	\$643,022
Net premiums written	\$275,044	\$162,119	\$1,014,960	\$604,693
Revenue:				
Net premiums earned	\$278,423	\$149,356	\$872,830	\$539,969
Investment income	13,409	12,005	52,553	44,576
Net realized gains	5,785	4,494	12,079	10,444
	<u>297,617</u>	<u>165,855</u>	<u>937,462</u>	<u>594,989</u>
Expenses:				
Claims incurred	200,008	101,618	616,079	371,946
Commissions and premium taxes	59,863	32,557	167,176	106,378
General and administrative expenses	23,121	17,505	81,938	66,925
Interest expense	2,836	3,674	11,399	11,408
	<u>285,828</u>	<u>155,354</u>	<u>876,592</u>	<u>556,657</u>
Income before income taxes	11,789	10,501	60,870	38,332
Income taxes	308	1,731	10,083	5,393
Net income before goodwill	<u>11,481</u>	<u>8,770</u>	<u>50,787</u>	<u>32,939</u>
Goodwill amortization net of taxes	<u>1,480</u>	<u>1,401</u>	<u>5,856</u>	<u>5,469</u>
Net income	<u>\$10,001</u>	<u>\$7,369</u>	<u>\$44,931</u>	<u>\$27,470</u>
Earnings per share before goodwill:				
Basic:	\$0.28	\$0.26	\$1.37	\$0.97
Diluted:	\$0.26	\$0.26	\$1.34	\$0.96
Earnings per share:				
Basic:	\$0.24	\$0.22	\$1.21	\$0.81
Diluted:	\$0.23	\$0.22	\$1.19	\$0.80
Weighted average shares outstanding:				
Basic:	41,215	33,995	37,202	33,985
Diluted:	42,010	34,293	37,856	34,341
Claims ratio	71.8%	68.0%	70.6%	68.9%
Expense ratio	29.8%	33.6%	28.5%	32.1%
Combined ratio	101.6%	101.6%	99.1%	101.0%
Underwriting profit (loss)	\$(4,569)	\$(2,324)	\$7,637	\$(5,280)
Return on equity (annualized)	10.0%	10.9%	13.3%	10.7%
Book value per share			\$11.03	\$8.01

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

	Dec 31, 2001	Dec. 31 2000
ASSETS		
Cash	\$96,200	\$ 29,840
Investments	1,126,998	750,670
Accrued investment income	12,173	6,960
Accounts receivable and other assets	176,692	92,343
Due from reinsurers and other insurers	131,462	112,510
Deferred policy acquisition costs	95,717	53,467
Income taxes recoverable	1,246	-
Future income taxes	23,086	21,149
Capital assets	38,643	28,229
Goodwill	76,527	78,758
	<u>\$1,778,744</u>	<u>\$1,173,926</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank indebtedness	\$144,516	\$ 143,129
Accounts payable and accrued liabilities	76,548	42,462
Income taxes payable	-	1,837
Unearned premiums	424,120	268,208
Unpaid claims	589,963	435,322
Other liabilities	6,755	10,255
	<u>1,241,902</u>	<u>901,213</u>
SHAREHOLDERS' EQUITY		
Share capital	356,232	148,481
<i>Issued and outstanding number of common shares</i>		
<i>48,657,206 – December 31, 2001</i>		
<i>34,056,597 – December 31, 2000</i>		
Currency translation adjustment	15,499	4,052
Retained earnings	165,111	120,180
	<u>536,842</u>	<u>272,713</u>
	<u>\$1,778,744</u>	<u>\$1,173,926</u>

KINGSWAY FINANCIAL SERVICES INC.
SUPPLEMENTARY INFORMATION TO PRESS RELEASE

As at December 31, 2001 and December 31, 2000

(In thousands of Canadian dollars)

1. Cash and Investments:

	December 31, 2001	
	Carrying Amount	Fair value
Term deposits	\$ 192,191	\$ 192,163
Bonds:		
Government	305,003	308,467
Corporate	425,009	427,271
Preferred shares	9,317	8,328
Common shares	101,879	108,758
Financed premiums	93,599	93,599
	\$ 1,126,998	\$ 1,138,586

	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 twelve months ended December 31, 2001 and 2000
(In thousands of Canadian dollars)

	Quarter to Dec 31:		12 months to Dec 31:	
	2001	2000	2001	2000
	(unaudited)			
Cash provided by (used in):				
Operating activities:				
Net income	\$10,001	\$7,369	\$44,931	\$27,470
Items not affecting cash:				
Amortization	3,081	2,743	11,811	10,327
Future income taxes	(5,565)	(2,013)	(873)	(276)
Net realized gains	(5,785)	(4,494)	(12,079)	(10,444)
Amortization of bond premiums & discounts	(88)	(792)	(4,856)	(2,977)
	<u>1,644</u>	<u>2,813</u>	<u>38,934</u>	<u>24,100</u>
Net change in non-cash balances:	<u>58,883</u>	<u>36,442</u>	<u>168,394</u>	<u>68,406</u>
	60,527	39,255	207,328	92,506
Financing activities:				
Increase of share capital, net	138,291	421	207,751	19
Decrease in bank indebtedness	(3,825)	(12,187)	(7,035)	(14,445)
	<u>134,466</u>	<u>(11,766)</u>	<u>200,716</u>	<u>(14,426)</u>
Investing activities:				
Purchase of investments	(606,250)	(372,605)	(2,277,643)	(1,249,692)
Proceeds from sale of investments	430,927	375,243	1,958,678	1,221,913
Financed premiums receivable, net	14,126	(14,217)	(7,546)	(24,191)
Purchase of subsidiaries	(2,336)	(4,468)	(2,336)	(4,468)
Additions to capital assets	(2,920)	(1,447)	(12,837)	(3,864)
	<u>(166,453)</u>	<u>(17,494)</u>	<u>(341,684)</u>	<u>(60,302)</u>
Increase in cash during period	28,540	9,995	66,360	17,778
Cash, beginning of period	67,660	19,845	29,840	12,062
Cash, end of period	<u>\$96,200</u>	<u>\$29,840</u>	<u>\$96,200</u>	<u>\$29,840</u>