



KINGSWAY REPORTS 96% INCREASE IN NET INCOME FOR QUARTER

Toronto, Ontario (November 2, 2004) – Kingsway Financial Services Inc. (TSE:KFS, NYSE:KFS) today announced financial results for the quarter and nine months ended September 30, 2004 and year to date.

Q3 2004 Summary

- Diluted earnings per share increased 93% to 54 cents compared to Q3 2003
- Income before income taxes increased 226% to \$37.0 million compared to Q3 2003
- Net income increased 96% to \$30.6 million compared to Q3 2003
- Combined ratio improved to 97.0% compared to 103.7% for Q3 2003
- Record quarterly underwriting profit of \$17.9 million
- Annualized return on equity of 15.4% for the quarter, 16.8% year to date
- Book value per share \$14.12 an increase of 12% from year end
- Fair value of investment portfolio increased to \$3.1 billion or \$55.42 per share

Net income increased by 96% to \$30.6 million, compared to \$15.6 million reported in the third quarter of last year. Net income for the nine month period was a record \$94.7 million, an increase of 41% over the \$67.3 million reported last year. Income before income taxes for the quarter increased by 226% (62% year to date) to \$37.0 million (\$109.9 million year to date). Return on equity on an annualized basis was 15.4% for the quarter (16.8% year to date) compared with 9.8% (13.9% year-to-date) last year.

Diluted earnings per share increased 93% to 54 cents for the quarter compared to 28 cents for the third quarter of 2003 last year. For the nine month period, diluted earnings per share increased by 28% to a record \$1.68 on 10% more shares outstanding than last year.

“I am pleased to report record underwriting results for the quarter and for the first nine months of the year” said Bill Star, President & Chief Executive Officer. “Our Canadian operations have produced extremely good underwriting results this year while also delivering strong growth in written premiums. We continue to generate positive cash flow and are well positioned to benefit from increases in short term interest rates”.

more....

Premiums

For the third quarter, gross premiums written were \$618.7 million (\$652.8 million last year) and for the year to date increased by 2% to \$2.0 billion. For the quarter, gross premiums written from U.S. operations decreased 13% to \$424.0 million (U.S.\$324.0 million) compared with \$486.0 million (U.S.\$352.8 million) last year and Canadian operations grew 17% to \$194.7 million. For the nine months, gross premiums written by the U.S. operations were \$1.4 billion (U.S.\$1.1 billion) compared with \$1.5 billion last year (U.S.\$1.1 billion). For the nine month period of 2004, non-standard automobile premium writings in the southeastern United States decreased 38% to \$125.2 million compared to \$203.4 million in 2003 due to the Company resisting the competitive pressure on rates and commission incentives. For the Canadian operations gross premiums written for the first nine months of 2004 increased by 24% to \$584.9 million compared with \$469.9 million last year. Net premiums written were \$1.8 billion compared with \$1.9 billion for the first nine months of last year. Net premiums earned were \$1.8 billion for both the first nine months of this year and last year.

During the second quarter of 2004 the Company entered into two quota-share reinsurance arrangements in Canada and the United States with reinsurers rated A+ or better by A.M. Best. Under both treaties the Company has the option to vary the amount of premiums ceded in any quarter, which provides flexibility in managing premium leverage and capital. Under these treaties the Company ceded \$58.3 million (\$196.0 million year to date) in the quarter. As a result of entering into these treaties, net premiums earned were reduced by \$63.4 million (\$124.8 million year to date), underwriting profit by \$2.5 million (\$4.9 million year-to-date) net income by \$1.6 million (\$3.2 million year-to-date) and earnings per share by 3 cents for the quarter (6 cents year-to-date).

As a result, the rolling four quarter net premiums written to statutory surplus ratio declined from 2.9X at December 31, 2003 to 2.4x at September 30, 2004.

Underwriting Profit & Combined Ratio

The combined ratio improved to 97.0% for the third quarter (103.7% last year), producing a record quarterly underwriting profit of \$17.9 million. For the first nine months of 2004 the combined ratio improved to 97.6% (100.0% last year), which produced record underwriting profit of \$41.5 million (\$0.4 million last year). The U.S. operations combined ratio was 98.5% compared to 97.0% in the first nine months of last year and for the Canadian operations it improved to 95.5% compared to 109.9% for the same period last year.

General expenses were \$57.5 million in the quarter (9.7% of net premiums earned) compared with \$37.3 million (6.3% of net premiums earned) in the same quarter last year. For the third quarter the general expense ratio for the U.S. operations and the Company increased by 3.4% and 2.4%, respectively primarily as a result of an increase in provisions for uncollectible premiums and state guarantee fund assessments.

For the third quarter, the loss ratio for the Canadian operations was 69.3% (70.4% year to date) an improvement compared to 89.3% (81.9% year-to-date) last year. During the quarter the Company incurred losses of approximately \$4.8 million related to storms which increased the loss ratio for the Canadian operations by 2.7% for the quarter (1.0% year-to-date). For the U.S. operations the loss ratio improved to 69.4% (70.5% year-to-date) compared to 72.6% (70.2% year-to-date) last year. During the quarter, claims incurred related to storms in the southeast United States amounted to approximately \$1.5 million increasing the loss ratio for the U.S. operations by 0.4% (0.1% year-to-date). Claims incurred as a result of the storms in the U.S. and Canada increased the Company's loss ratio by 1.1% (0.4% year-to-date).

more....

Investment Income

Investment income increased 10% to \$24.9 million (\$71.3 million year to date) compared with \$22.7 million (\$57.6 million year to date) for the third quarter of 2003. During the third quarter realized gains were \$11.6 million, and realized losses on disposals of investments were \$9.5 million. Net realized gains amounted to \$2.1 million (\$1.7 million after tax) compared with \$16.4 million (\$12.2 million after tax) for the third quarter last year, and for the year to date were \$18.2 million (\$14.9 million after tax) compared to \$25.2 million (\$21.3 million after tax) last year. Net unrealized gains of \$51.2 million include net unrealized gains on the common shares portfolio of \$45.7 million (81 cents per share outstanding) at September 30, 2004.

Net Income

Income before income taxes increased by 226% (62% year-to-date) to \$37.0 million (\$109.9 million year-to-date) compared to the same period last year. The increase is mainly attributable to improvement in the underwriting results in Canada. The income tax provision was \$6.4 million for the quarter (\$15.2 million year-to-date) compared with a recovery of \$4.3 million (\$0.4 million provision year-to-date) in the third quarter last year. Net income was \$30.6 million (\$94.7 million year-to-date) compared with \$15.6 million (\$67.3 million year-to-date) last year.

Balance Sheet

Total assets as at September 30, 2004 grew to \$4.1 billion. The investment portfolio, including cash, increased to \$3,062.4 million (market value \$3,113.6 million), compared to \$2,652.9 million (market value \$2,705.5 million) as at December 31, 2003. The fair value of the investment portfolio per share increased 14% to \$55.42 compared to \$48.46 as at December 31, 2003. The incurred but not reported claims (IBNR) provision increased by 7% since year-end to \$797.0 million, representing 40% of total unpaid claims provisions of \$1,985.0 million

Book value per share increased by \$1.49 or 12% since the beginning of the year to \$14.12 at September 30, 2004, which is inclusive of the unrealized currency translation adjustment which decreased Canadian dollar book value per share by 64 cents in the quarter (19 cents for the year-to-date).

Currency

A significant portion of the Company's operations and net assets are denominated in U.S. dollars whereas the Company reports in Canadian dollars. During 2003 and 2004, the Canadian dollar has appreciated significantly against the U.S. dollar thereby affecting the comparability of results. Effective January 1, 2005, the Company will change its reporting currency from Canadian dollars to U.S. dollars. Had the results of the U.S. operations been translated at the same exchange rates as last year, net income and earnings per share would have been further increased by \$1.1 million (\$4.6 million year-to-date) and 2 cents (8 cents year-to-date), respectively.

The supplementary information contained in this press release contains selected financial information expressed in U.S. dollars. For the nine month period to September 30, 2004 net income and earnings per share increased by 51% and 38% to U.S.\$71.2 million and U.S.\$1.26, respectively. Book value per share grew by 17% from a year ago to U.S.\$11.19.

more....

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 2003 Annual Report. Further information about our financial results and condition can be found in our Annual Report and other filings.

Conference Call

The Company will have a conference call starting today at 5:00pm (Eastern time) on November 2, 2004. If interested in participating, please dial 1-800-814-4860 about five minutes before the start of the call. A live broadcast of the conference call can be accessed at www.newswire.ca/en/webcast/viewEvent.cgi?eventID=926860. You may also link to the broadcast through our website at www.kingsway-financial.com. A rebroadcast of the conference call will also be available and can be accessed through our website.

Annual Investor Day

The Company will be hosting its annual Investor Day on Thursday, November 18th starting at 8:30am at the TSX Conference Centre located at The Exchange Tower, 2 First Canadian Place, Toronto, Ontario. Executives of Kingsway Financial and several of the subsidiaries will be speaking regarding their company's operations.

more....

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 2003 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 trucking insurance and the insuring of automobile risks for drivers who do not meet the criteria for coverage by standard automobile insurers. The Company currently operates through ten wholly-owned insurance 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, American Country Insurance Company and Avalon Risk Management, Inc. The Company also operates reinsurance subsidiaries in Barbados and Bermuda. Lincoln General Insurance Company, Universal Casualty Insurance Company, Jevco and Kingsway Reinsurance (Bermuda) are all rated “A-” Excellent by A.M. Best. Kingsway General and York Fire are rated “B++” (very good). The Company's senior debt is rated investment grade “BBB-” by Standard and Poor's and “BBB” by Dominion Bond Rating Services. 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 nine months ended September 30, 2004 and 2003
(In thousands of Canadian dollars, except for per share amounts)

	Quarter to Sept 30:		9 months to Sept 30:	
	2004	2003	2004	2003
	(unaudited)			
Gross premiums written	\$618,656	\$652,751	\$2,031,081	\$1,985,239
Net premiums written	\$519,459	\$623,376	\$1,759,557	\$1,897,231
Revenue:				
Net premiums earned	\$592,466	\$591,807	\$1,763,160	\$1,764,342
Investment income	24,927	22,672	71,320	57,607
Net realized gains	2,057	16,437	18,184	25,226
	619,450	630,916	1,852,664	1,847,175
Expenses:				
Claims incurred	411,389	455,300	1,242,196	1,285,415
Commissions and premium taxes	105,731	121,367	332,082	376,820
General and administrative expenses	57,492	37,276	147,412	101,701
Interest expense	7,615	5,381	20,546	14,891
Amortization of intangibles	174	210	529	654
	582,401	619,534	1,742,765	1,779,481
Income before income taxes	37,049	11,382	109,899	67,694
Income taxes (recovery)	6,443	(4,251)	15,238	403
Net income	\$30,606	\$15,633	\$94,661	\$67,291
Earnings per share:				
Basic:	\$0.54	\$0.28	\$1.68	\$1.32
Diluted:	\$0.54	\$0.28	\$1.68	\$1.31
Weighted average shares outstanding (in 000's):				
Basic:	56,174	55,546	56,100	51,126
Diluted:	56,543	56,011	56,461	51,558
Claims ratio	69.4%	76.9%	70.4%	72.9%
Expense ratio	27.6%	26.8%	27.2%	27.1%
Combined ratio	97.0%	103.7%	97.6%	100.0%
Underwriting profit (loss)	\$17,854	\$(22,136)	\$41,470	\$406
Return on equity (annualized)	15.4%	9.8%	16.8%	13.9%
Book value per share			\$14.12	\$12.84

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

	Sept. 30 2004 (unaudited)	Dec. 31 2003
ASSETS		
Cash	\$ 109,031	\$ 140,883
Investments	2,953,408	2,512,052
Accrued investment income	31,472	21,189
Accounts receivable and other assets	395,525	387,052
Due from reinsurers and other insurers	249,374	176,295
Deferred policy acquisition costs	184,699	167,960
Income taxes recoverable	18,417	-
Future income taxes	52,955	72,184
Capital assets	70,307	66,981
Goodwill and intangible assets	84,600	85,840
	<u>\$ 4,149,788</u>	<u>\$ 3,630,436</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Bank indebtedness	\$ 74,783	\$ 153,895
Accounts payable and accrued liabilities	109,405	128,797
Income taxes payable	-	2,589
Unearned premiums	837,606	776,481
Unpaid claims	1,984,934	1,669,734
Senior unsecured indebtedness	235,700	78,000
Subordinated indebtedness	114,175	115,981
	<u>3,356,603</u>	<u>2,925,477</u>
SHAREHOLDERS' EQUITY		
Share capital	471,610	468,668
<i>Issued and outstanding number of common shares</i>		
<i>56,180,830 – Sept 30, 2004</i>		
<i>55,829,794 – December 31, 2003</i>		
Contributed surplus	1,866	678
Currency translation adjustment	(104,878)	(94,313)
Retained earnings	424,587	329,926
	<u>793,185</u>	<u>704,959</u>
	<u>\$ 4,149,788</u>	<u>\$ 3,630,436</u>

KINGSWAY FINANCIAL SERVICES INC.
SUPPLEMENTARY INFORMATION TO PRESS RELEASE

As at September 30, 2004 and December 31, 2003

(In thousands of Canadian dollars)

1. Investments:

	September 30, 2004	
	Carrying Amount	Fair value
Term deposits	\$ 301,125	\$ 300,332
Bonds:		
Government	777,268	779,509
Corporate	1,464,252	1,468,298
Preferred shares	1,800	1,781
Common shares	318,713	364,441
Financed premiums	90,250	90,250
	\$ 2,953,408	\$ 3,004,611
	December 31, 2003	
	Carrying Amount	Fair value
Term deposits	\$ 285,715	\$ 285,500
Bonds:		
Government	783,857	787,552
Corporate	1,107,515	1,112,386
Preferred shares	500	512
Common shares	253,551	297,725
Financed premiums	80,914	80,914
	\$ 2,512,052	\$ 2,564,589

KINGSWAY FINANCIAL SERVICES INC.
SUPPLEMENTARY INFORMATION TO PRESS RELEASE
For the nine months ended September 30, 2004 and 2003
(In thousands of Canadian dollars)

2. Underwriting Results:

The underwriting results for the Company's operations were as follows:

	Quarter to Sept 30:		9 months to Sept 30:	
	2004	2003	2004	2003
Underwriting Profit (Loss)				
Canada	\$11,201	\$(26,389)	\$22,194	\$(39,879)
U.S.	6,653	4,253	19,276	40,285
Total	<u>\$17,854</u>	<u>\$(22,136)</u>	<u>\$41,470</u>	<u>\$406</u>
Combined Ratio				
Canada	93.6%	117.1%	95.5%	109.9%
U.S.	98.4%	99.0%	98.5%	97.0%
Total	<u>97.0%</u>	<u>103.7%</u>	<u>97.6%</u>	<u>100.0%</u>
Expense Ratio				
Canada	24.3%	27.8%	25.1%	28.0%
U.S.	29.0%	26.4%	28.0%	26.8%
Total	<u>27.6%</u>	<u>26.8%</u>	<u>27.2%</u>	<u>27.1%</u>
Loss Ratio				
Canada	69.3%	89.3%	70.4%	81.9%
U.S.	69.4%	72.6%	70.5%	70.2%
Total	<u>69.4%</u>	<u>76.9%</u>	<u>70.4%</u>	<u>72.9%</u>
Change in estimated unpaid claims for prior accident years (note 1):				
Canada	\$(8,263)	\$(40,350)	\$(19,017)	\$(74,637)
U.S.	(1,356)	(21,139)	(20,492)	(56,802)
Total	<u>\$(9,619)</u>	<u>\$(61,489)</u>	<u>\$(39,509)</u>	<u>\$(131,439)</u>
As a % of net premiums earned (note 2):				
Canada	4.7%	26.1%	3.9%	18.5%
U.S.	0.3%	4.8%	1.6%	4.2%
Total	<u>1.6%</u>	<u>10.4%</u>	<u>2.2%</u>	<u>7.4%</u>
As a % of unpaid claims (note 3):				
Canada			3.6%	22.6%
U.S.			1.7%	7.0%
Total			<u>2.4%</u>	<u>10.9%</u>

Note 1 – (Increase) decrease in estimates for unpaid claims from prior accident years reflected in current financial year results.

Note 2 – Increase (decrease) in current financial year reported combined ratio.

Note 3 – Increase (decrease) compared to estimated unpaid claims at the end of the preceding fiscal year.

**KINGSWAY FINANCIAL SERVICES INC.
SUPPLEMENTARY INFORMATION TO PRESS RELEASE**

**As at September 30, 2004, December 31, 2003 and September 30, 2003
(In thousands of Canadian dollars, except for per share amount)**

3. Financial Strength:

Some of the key indicators of the Company's financial strength are as follows:

	Sept 30, 2004	Dec. 31, 2003
Rolling four quarter calculations:		
Net Premiums Written to Estimated Statutory Surplus Ratio	2.4x	2.9x
Interest Coverage Ratio	6.0x	5.2x
Total Bank and Senior Debt to Capitalization Ratio	25.8%	22.1%

4. Selected Financial Information expressed in thousands of U.S. dollars

	Quarter to Sept 30:		9 months to Sept 30:	
	2004	2003	2004	2003
Gross Premiums Written	\$473,272	\$473,571	\$1,528,185	\$1,391,256
Net Premiums Earned	453,237	429,356	1,326,601	1,236,451
Net Income	23,414	11,342	71,223	47,440
Earnings Per Share – diluted	\$0.41	\$0.20	\$1.26	\$0.91
Underwriting Profit (Loss)	13,658	(16,058)	31,202	285
Book Value Per Share			\$11.19	\$9.54

The selected financial information disclosed above has been translated using a foreign exchange rate for the income statement of Canadian \$1 = U.S. \$0.7650 and Canadian \$1 = U.S. \$0.7255 for the quarter ended September 30, 2004 and 2003, respectively, and Canadian \$1 = U.S. \$0.7524 and Canadian \$1 = U.S. \$0.7008 for the nine months ended September 30, 2004 and 2003, respectively. The book value per share was translated at the quarter end rate of Canadian \$1 = U.S. \$0.7926 and Canadian \$1 = U.S. \$0.7427 for September 30, 2004 and 2003, respectively. Readers should be cautioned as to the limited usefulness of the selected financial information presented above.

KINGSWAY FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENTS OF CASHFLOWS
For the nine months ended September 30, 2004 and 2003
(In thousands of Canadian dollars)

	Quarter to Sept 30:		9 months to Sept 30:	
	2004	2003	2004	2003
	(unaudited)			
Cash provided by (used in):				
Operating activities:				
Net income	\$30,606	\$15,633	\$94,661	\$67,291
Items not affecting cash:				
Amortization	3,057	2,496	8,206	5,983
Future income taxes	9,966	(4,748)	19,394	(8,889)
Net realized gains	(2,057)	(16,437)	(18,184)	(25,226)
Amortization of bond premiums & discounts	5,370	4,037	21,434	9,718
	46,942	981	125,511	48,877
Net change in non-cash balances:	71,562	187,197	238,703	365,258
	118,504	188,178	364,214	414,135
Financing activities:				
Increase of share capital, net	64	110,012	2,942	111,228
Increase (decrease) in bank indebtedness	26,738	11,075	(82,070)	19,818
Increase (decrease) in senior unsecured indebtedness	(2,642)	-	166,879	-
Increase in subordinated indebtedness	-	13,726	-	58,184
	24,160	134,813	87,751	189,230
Investing activities:				
Purchase of investments	(796,461)	(1,027,370)	(2,482,143)	(5,558,327)
Proceeds from sale of investments	676,990	757,158	2,017,134	4,867,020
Financed premiums receivable, net	5,609	4,431	(6,445)	2,675
Net change to capital assets	(2,434)	(9,711)	(12,363)	(30,204)
	(116,296)	(275,492)	(483,817)	(718,836)
Increase (decrease) in cash during period	26,368	47,499	(31,852)	(115,471)
Cash, beginning of period	82,663	81,951	140,883	244,921
Cash, end of period	\$109,031	\$129,450	\$109,031	\$129,450