



KINGSWAY ANNOUNCES ACQUISITION OF HI HOLDINGS

Toronto, Ontario (October 31, 2005) – Kingsway Financial Services Inc. (TSE:KFS, NYSE:KFS) today announced the closing of the previously announced acquisition of HI Holdings, Inc. (HI) for approximately US\$25 million. The transaction includes HI's wholly owned Zephyr Insurance Company Inc. (Zephyr). HI and Zephyr were formed in 2000 by its current shareholders that include Everest Reinsurance Company, Guy Carpenter & Company, Inc., Hannover Ruckversicherung AG, and Island Holdings, Inc. Philo Smith & Co. acted as financial advisor to HI.

“Zephyr’s operating niche complements a core Kingsway business strategy of providing products and services to specific, defined segments of the insurance marketplace” said Bill Star, President & Chief Executive Officer of Kingsway Financial Services, Inc. "This transaction is also consistent with our interest in acquiring profitable businesses that provide geographic and product diversification. Zephyr is a well run organization and we look forward to the company's continued success as part of Kingsway."

Zephyr is the leading provider of residential hurricane insurance coverage in the State of Hawaii. For the first nine months of 2005, Zephyr generated Gross Premiums Written of US\$40 million and is projected to write approximately US\$50 million in Gross Premiums Written for 2005. Kingsway currently operates in the State of Hawaii through Lincoln General Insurance Company, and American Service Insurance Company is also licensed to transact business in the State.

About the Company

Kingsway Financial Services Inc. is the largest truck insurer in North America and the sixth largest non-standard automobile insurer in North America according to A.M.Best. 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 Insurance Company and Kingsway Reinsurance (Bermuda) are all rated “A-” Excellent by A.M. Best. Kingsway General, York Fire and American Service are rated “B++” (very good). The Company's senior debt is rated investment grade “BBB-”(stable) by Standard and Poor's and “BBB” (stable) 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".

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