



DOMINION BOND RATING SERVICE CONFIRMS RATINGS OF KINGSWAY FINANCIAL SERVICES INC., AT BBB WITH STABLE TREND

Toronto, Ontario (February 2, 2006) – (TSX:KFS, NYSE:KFS) Kingsway Financial Services Inc. today announced that Dominion Bond Rating Service (“DBRS”) has confirmed its ratings of Kingsway Financial Services Inc. and its U.S. holding company, Kingsway America Inc. at BBB, reflecting successful execution of the Group’s niche strategy.

DBRS commented that “the Company’s success is due to its focus on underwriting profitability and effective claims management. Earnings have been excellent in both 2004 and 2005, reflecting firm industry-wide pricing, lower claims experience, and favourable reserve development. The combined ratio for the first nine months of 2005 improved to 97.0% from 97.8% for all of 2004. Nevertheless, industry profitability has probably peaked for this cycle, with regulation and competition putting downward pressure on pricing and some recovery in claims frequency. In the softer insurance market, Kingsway has been cutting back on writing insurance premiums, since pricing does not compensate for risk. Moreover, the Company is not writing new auto business in Alberta where legislation requires insurance to be priced without respect to risk. By not compromising on price in order to preserve volume or market share in soft markets, Kingsway is better able to avoid the worst of the traditional insurance cycle. Such discipline and its diversified niche markets allow the Group to enjoy both lower earnings volatility than its peer group and higher reported return on equity on average over the cycle.”

DBRS further commented that “having achieved growth and diversification through acquisition, the Company is presently more focused on enhancing its pre-tax margins by improving underwriting, claims management processes and procedures, as well as overall cost efficiency. Ongoing focus on underwriting vigilance and adequate pricing should mitigate the need to address large reserve deficiencies as in 2002 and 2003. With more conservative reserves in place, earnings should be even less volatile in the future. Strategically, the Company sees acquisition opportunities in the fragmented, but consolidating U.S. market, especially in the non-standard and commercial auto lines which are consistent with its chosen niche strategy. While acquisitions give rise to integration risks, Kingsway has a proven record of making successful in-market acquisitions”.

About the Company

Kingsway Financial Services Inc. is the largest truck insurer in North America and the seventh 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 eleven 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, Zephyr 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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