Kingsway Reports Third Quarter Results

Toronto, Ontario (November 12, 2010) – (TSX: KFS, NYSE: KFS) Kingsway Financial Services Inc. ("Kingsway" or the “Company") today announced its financial results for the third quarter ended September 30, 2010. All amounts are in U.S. dollars unless indicated otherwise.

The Company reported a third quarter net income of $2.5 million ($8.1 million year to date) or income of $0.05 ($0.16 year to date) per share diluted. The book value has decreased from $3.28 per share at December 31, 2009 to $2.88 per share at September 30, 2010.

The following are the highlights of the third quarter of 2010:

Major events:

- During the third quarter the Company completed the purchase of 1,500,000 Kingsway Linked Return of Capital (“KLROC”) units at a price of C$20.00 cash per unit. As a result, the Company beneficially owns and controls 2,333,715 units of KLROC Trust representing 74.8% of the issued and outstanding units. As such, the Company now considers it to be the primary beneficiary of KLROC Trust and has consolidated their results in the current quarter, resulting in a gain on consolidation of $17.8 million in the third quarter.
- On October 26, 2010, the Company accepted subscription agreements relating to the going-public transaction previously announced on May 26, 2010 involving Kingsway’s subsidiaries, American Country Insurance Company (“ACIC”) and American Service Insurance Company Inc. (“ASI”) by way of a reverse takeover of JJR VI Acquisition Corp. On November 1, 2010, the Company completed funding on the offering of the subscription receipts. Approximately four million subscription receipts were issued by American Insurance Acquisition Inc., a wholly owned subsidiary of Kingsway, at a price of C$2.00 per subscription receipt for aggregate gross proceeds of approximately C$8.0 million. Completion of the proposed transaction is subject to a number of conditions including, but not limited to, execution of a definitive agreement in respect of the proposed transaction as well as acceptance and regulatory approval by the TSX Venture Exchange and the Illinois Department of Insurance. There can be no assurance that the proposed transaction will be completed as proposed. If the transaction is completed as proposed, the Company estimates it would record a loss on the disposal of ACIC and ASI ranging between $9.0 million and $11.0 million.
- $47.7 million of the Company’s debt was repurchased in the quarter, resulting in a gain of $2.6 million.

Operational results:

- An underwriting loss of $20.5 million was recorded in the US segment for the third quarter ($63.6 million year to date).
- Net loss of $5.7 million was recorded in the Corporate segment for the third quarter (net loss of $8.3 million for year to date).
- 83.4% of gross premiums written in the third quarter (84.2% year to date) were generated from non-standard automobile, the core line of business.
- Investment income increased to $0.3 million compared to the same quarter last year, which was primarily a result of favourable impact of the strengthening US dollar on the Company’s unhedged Canadian dollar debt, mitigated by a decline in interest income on the fixed income securities portfolio due to smaller size of the portfolio as a result of reduction in premiums written and lower yields.

Dividend

The Board of Directors has decided that a quarterly dividend will not be declared for the third quarter of 2010.

Financial Summary:

The following information throughout the Financial Summary presents the financial results as continuing operations unless otherwise specifically stated as discontinued operations:

	Three months ended September 30:			Nine months ended September 30:		
(in millions of dollars except per share values)	2010	2009	Change	2010	2009	Change
Gross premiums written	$ 62.8	$ 82.8	(24.2%)	$ 206.0	$ 306.4	(32.8%)
Underwriting loss	(24.0)	(36.7)	34.6%	(77.5)	(69.3)	(11.8%)
Investment income (loss)	0.3	(8.6)	103.5%	13.4	10.7	25.2%
Net realized gains (loss)	6.4	12.0	(46.7%)	7.2	10.0	(28.0%)
Gain on buy back of debt	2.6	6.6	(60.6%)	19.2	9.3	106.5%
Gain on consolidation of KLROC	17.8	-	-	17.8	-	-
Income (loss) from continuing operations	0.2	(28.7)	100.7%	(32.9)	(41.1)	20.0%
Net income (loss)	2.5	(118.1)	102.1%	8.1	(214.8)	103.8 %
Diluted earnings (loss) per share - continuing operations	-	(0.53)	100.0%	(0.63)	(0.75)	16.0%
Diluted earnings (loss) per share - net income (loss)	0.05	(2.19)	102.3%	0.16	(3.92)	104.1%
Book value per share	2.88	5.31	(45.8%)	2.88	5.31	(45.8%)
Combined ratio	137.9%	135.7%	2.2%	136.2%	119.8%	16.4%

- The income of $0.2 million from continuing operations for the quarter (loss of $32.9 million year to date) arose primarily from the gain on consolidation of KLROC of $17.8 million in the quarter ($17.8 million year to date), net realized gains of $6.4 million in the quarter ($7.2 million year to date), gain on buy back of debt of $2.6 million in the quarter ($19.2 million year to date), investment income of $0.3 million in the quarter ($13.4 million year to date), offset by the underwriting loss of $24.0 million in the quarter ($77.5 million year to date).

- Gross premiums written decreased by 24.2% for the quarter to $62.8 million (32.8% to $206.0 million year to date) from $82.8 million in the third quarter last year ($306.4 million prior year to date). The significant reduction in premium volume is a reflection of the Company's strategy of discontinuing certain lines of business, primarily within its commercial lines.

- As a result of the Company re-focusing its efforts on core, profitable lines of business, non standard automobile premiums for nine months to September 30, 2010 were $173.5 million or 84.2% of the total gross premiums written compared to $232.1 million or 75.8% of gross premiums written in the same period last year.

- The net favourable reserve development recorded in the quarter totaled $1.9 million. The favourable development was generated primarily by the commercial line of business.

- For the three months ended September 30, 2010, investment income, excluding net realized gains was $0.3 million compared to loss of $8.6 million for the same quarter of 2009, a 103.5% increase. The increase in investment income was primarily a result of favourable impact of the strengthening US dollar on the Company's unhedged Canadian dollar debt, mitigated by a decline in interest income on the fixed income securities portfolio due to smaller size of the portfolio as a result of reduction in premiums written and lower yields.

- In July 2010, the Company purchased additional KLROC Units and now beneficially owns and controls 2,333,715 units which are 74.8% of the issued and outstanding KLROC Units. The consolidated financial statements of the KLROC Trust are consolidated with the financial statements of the Company beginning July 23, 2010 in accordance with Canadian GAAP. As a result of consolidating the KLROC Trust, the Company recorded a gain of $17.8 million related to the KLROC Units held by KFS Capital LLC.

- General and administrative expenses decreased 2.3% to $26.0 million in the third quarter of 2010 from $26.6 million in the same quarter last year (increased 18.3% to $75.7 million from $64.0 million for the year to date). The decrease in the third quarter 2010 general and administrative expenses is primarily the result of general restructuring activities which have reduced costs, offset by expenses from the Company's subsidiary, JBA Associates, Inc., which was acquired on June 30, 2010, and 2009 expenses being reduced by the reversal of a previously recorded $3.5 million reserve for employee health insurance claims.

- As at September 30, 2010, the book value per share was $2.88 compared to $3.28 as at December 31, 2009.

RESULTS OF OPERATIONS

Income (Loss) from Continuing Operations and Loss Per Share – Continuing Operations

In the third quarter, the Company reported income from continuing operations of $0.2 million (loss of $32.9 million year to date), compared to a loss from continuing operations of $28.7 million in the third quarter of last year ($41.1 million prior year to date). Diluted earnings per share was nil for the quarter (loss of $0.63 year to date), compared to diluted loss per share of $0.53 for the third quarter of 2009 ($0.75 prior year to date). The current quarter's income is primarily due to gain on consolidation of KLROC, gain on the buy back of debt, net realized gains and investment income, which was partially offset by underwriting losses and corporate expenses.

Income (Loss) from Discontinued Operations

In the third quarter, the Company reported income of $2.3 million from discontinued operations ($10.6 million year to date), compared to a loss from discontinued operations of $89.4 million in the third quarter of last year ($172.0 million prior year to date). During the third quarter of 2010, the Company recorded income of $2.3 million from its discontinued Avalon business.

During the first quarter of 2010 the Company disposed of Jevco. As part of the agreement, the Company had the option to sell a property that was included in the purchase agreement. The purchase price would decrease if the sale price of the property was less than its carrying value, up to a maximum of approximately C$6.3 million. The purchase price would increase by 94.5% of every dollar that the sale price exceeded the carrying value. On June 15, 2010, the Company sold the property for less than its carrying value and as a result, the purchase price was decreased by C$2.2 million.

As a result of the disposal of Jevco, the Company realized an after tax loss of $2.2 million in the second quarter (gain of $30.4 million year to date). Included in this gain is a $34.1 million foreign currency exchange gain previously recorded in accumulated other comprehensive income and now recognized as a result of the disposal of Jevco in 2010.

Net Income (Loss) and Earnings (Loss) Per Share – Net Income (Loss)

In the third quarter, the Company reported net income of $2.5 million ($8.1 million year to date), compared to net loss of $118.1 million in the third quarter of last year ($214.8 million prior year to date). Diluted earnings per share was $0.05 for the quarter ($0.16 year to date) compared to loss per share of $2.19 for the third quarter of 2009 ($3.92 prior year to date).

Balance Sheet

The table below shows a review of selected categories from the balance sheet reported in the financial statements as at September 30, 2010 compared to December 31, 2009.

	As at		
(in millions of dollars except per share values)	**September 30, 2010**	December 31, 2009	Change
Assets			
Cash and cash equivalents	**$ 124.6**	$ 58.7	112.3%
Securities	**310.0**	512.2	(39.5%)
Accounts receivable and other assets	**73.3**	94.3	(22.3%)
Receivable from security transactions	**68.0**	-	-
Income taxes recoverable	**11.8**	15.9	(25.8%)
Funds held in escrow	**21.6**	-	-
Future income taxes	**8.4**	9.5	(11.6%)
Capital assets	**25.4**	27.4	(7.3%)
Goodwill and intangible assets	**48.6**	37.6	29.3%
Assets held for sale	**2.6**	1,148.4	(99.8%)
Liabilities			
Unearned premiums	**99.6**	120.7	(17.5%)

Unpaid claims	**299.1**	368.5	(18.8%)
Senior unsecured debentures	**36.9**	176.8	(79.1%)
Liabilities held for sale	**-**	907.4	(100.0%)
Shareholders' Equity			
Book value per share	**2.88**	3.28	(13.1%)

Forward Looking Statements

This press release includes "forward looking statements" that are subject to risks and uncertainties. These statements relate to future events or future performance and reflect management's current expectations and assumptions. The words "anticipate", "expect", "believe", "may", "should", "estimate", "project", "outlook", "forecast" or similar words are used to identify such forward looking information. Such forward looking statements reflect management's current beliefs and are based on information currently available to management of the Company. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward looking statements, see the Company's securities filings, including its 2009 Annual Report under the heading Risk Factors in the Management's Discussion and Analysis section. The securities filings can be accessed on the Canadian Securities Administrators' website at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission's website at www.sec.gov or through the Company's website at www.kingsway-financial.com. 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.

Additional Information

Additional information about Kingsway, including a copy of its Quarterly Report for the quarter ended September 30, 2010, can be accessed on the Canadian Securities Administrators' website at www.sedar.com, and on the EDGAR section of the U.S. Securities and Exchange Commission's website at www.sec.gov or through the Company's website at www.kingsway-financial.com.