



Kingsway Reports First Quarter Results

Toronto, Ontario (June 14, 2011) – (TSX: KFS, NYSE: KFS) Kingsway Financial Services Inc. ("Kingsway" or the "Company") today announced its financial results for the first quarter ended March 31, 2011. All amounts are in U.S. dollars unless indicated otherwise.

The Company reported a first quarter net loss of \$18.4 million or loss of \$0.35 per share diluted. The book value has decreased from \$2.78 per share at December 31, 2010 to \$2.47 per share at March 31, 2011. The Company also carries a valuation allowance, in the amount of \$4.67 per share at March 31, 2011, against the deferred tax asset primarily related to its loss carryforwards.

The following are the highlights of the first quarter of 2011:

Major events

- Kingsway adopted International Financial Reporting Standards ("IFRS") commencing with the presentation of its unaudited consolidated financial statements as at and for the three months ended March 31, 2011. Comparative results for 2010 have been restated to comply with IFRS.
- On March 30, 2011, the Company closed the sale of its wholly owned subsidiary Hamilton Risk Management Company and its subsidiaries, including Kingsway Amigo Insurance Company, to Acadia Acquisition Partners, L.P. Kingsway will act as the general partner and hold a limited partnership investment.

Operational results

- Net loss of \$8.4 million was recorded in the Underwriting segment for the first quarter.
- Net income of \$1.0 million was recorded in the Agency and Non-underwriting segment for the first quarter.
- Net loss of \$9.7 million was recorded in the Corporate and Other segment for the first quarter.
- An after-tax loss of \$1.9 million (pre-tax loss of \$2.3 million) was recorded on early settlement of a C\$20.0 million receivable pertaining to the sale of wholly owned subsidiary Jevco Insurance Company ("Jevco") in March 2010.
- A gain of \$0.6 million was recorded upon finalizing the accounting for the sale of American Service Insurance Company, Inc. ("American Service") and American Country Insurance Company ("American Country"), which closed on December 31, 2010.

Dividend

The Board of Directors has decided that a quarterly dividend will not be declared for the first quarter of 2011.

Subsequent to the first quarter, the Company purchased and cancelled C\$10.6 million par value of its senior unsecured debentures due 2012. As a result, only C\$1.9 million par value of the 2012 debentures remain outstanding. This amount represents the Company's only outstanding debt obligations maturing prior to 2014.

About the Company

Kingsway focuses on non-standard automobile insurance in the United States of America. The Company's primary businesses are the insuring of automobile risks for drivers who do not meet the criteria for coverage by standard automobile insurers. The common shares of the Company are listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol "KFS".

Statement of Operations

(In thousands of U.S. dollars, except per share amounts)

(unaudited)	Three months ended March 31,	
	2011	2010
Gross premiums written	\$ 42,415	\$ 64,804
Net premiums written	\$ 40,193	\$ 62,380
Revenue:		
Net premiums earned	\$ 45,636	\$ 61,081
Commission income	6,413	2,444
Investment income	1,077	2,753
Net realized gain	1	301
Unrealized loss on fair value of debt	(2,605)	(68,424)
Miscellaneous loss	(973)	(2,468)
	49,549	(4,313)
Expenses:		
Claims incurred	40,027	53,207
Commissions and premium taxes	7,371	12,880
General and administrative expenses	17,151	20,804
Restructuring costs	-	3,690
Interest expense	1,903	4,975
Amortization of intangibles	585	1,510
	67,037	97,066
Loss before unusual item and income taxes	(17,488)	(101,379)
Gain on buy-back of debt	-	3,324
Loss from continuing operations before income taxes	(17,488)	(98,055)
Income tax benefit	(408)	(2,689)
Loss from continuing operations	\$ (17,080)	\$ (95,366)
Income from discontinued operations, net of tax	-	6,887
Income (loss) on disposal of discontinued operations, net of taxes	(1,293)	8,272
Net Loss	\$ (18,373)	\$ (80,207)
Attributable to:		
Shareholders of Kingsway	(17,839)	(68,991)
Non-controlling interests	(534)	(11,216)
Total	\$ (18,373)	\$ (80,207)
Loss per share – continuing operations		
Basic:	\$ (0.33)	\$ (1.83)
Diluted:	\$ (0.33)	\$ (1.83)
Loss per share – net income		
Basic:	\$ (0.35)	\$ (1.54)
Diluted:	\$ (0.35)	\$ (1.54)
Weighted average shares outstanding (in 000's)		
Basic:	52,156	52,062
Diluted:	52,156	52,062

Loss from Continuing Operations and Loss Per Share – Continuing Operations

In the first quarter, the Company reported a loss from continuing operations of \$17.1 million, compared to a loss from continuing operations of \$95.4 million in the first quarter of last year. Diluted loss per share was \$0.33 for the quarter, compared to diluted loss per share of \$1.83 for the first quarter of 2010. As noted above, the current quarter's loss is primarily due to underwriting losses, unrealized loss on fair value of debt, and corporate expenses offset by investment income.

Income (Loss) from Discontinued Operations

In the first quarter of 2011, the Company reported income of nil from discontinued operations, compared to \$6.9 in the first quarter of 2010.

On January 25, 2010, the Company entered into a definitive purchase agreement with The Westaim Corporation ("Westaim") to sell all of the issued and outstanding shares of Jevco to Westaim. On March 29, 2010, after receipt of all required regulatory approvals, the sale was completed for a purchase price of C\$263.3 million. This was based on 94.5% of the difference between the book value of Jevco as at December 31, 2009 and a dividend of C\$10.8 million, an investment portfolio adjustment relating to the change in market value at the closing date and is subject to certain future contingent adjustments. The contingent adjustments include up to C\$20.0 million decrease in the purchase price relating to specific future adverse claims development to be determined at the end of 2012. On March 31, 2011 the Company settled the C\$20.0 million contingent adjustments related to the Jevco transaction for C\$17.8 million, recording a pre-tax loss of \$2.3 million. As a result of the disposal of Jevco, the Company realized an after-tax loss of \$1.9 million in the first quarter of 2011 and after-tax gain of \$8.3 million in the first quarter of 2010.

As a result of the disposal of American Country and American Service, the Company realized an after-tax gain of \$0.6 million in the first quarter of 2011.

Net Loss and Loss Per Share – Net Loss

In the first quarter, the Company reported net loss of \$18.4 million, compared to net loss of \$80.2 million in the first quarter of last year. Diluted loss per share was \$0.35 for the quarter compared to loss per share of \$1.54 for the first quarter of 2010.

Consolidated Balance Sheets

(In thousands of U.S. dollars, except share amounts)

(unaudited)	March 31, 2011	December 31, 2010	January 1, 2010
ASSETS			
Cash and cash equivalents	\$ 99,246	\$ 140,567	\$ 65,562
Investment in securities	175,695	146,684	506,080
Investment in associate	49,711	49,079	-
Accrued investment income	1,950	1,957	3,942
Financed premiums	10,321	13,572	15,237
Accounts receivable	48,058	46,394	85,765
Funds held in escrow	2,150	22,259	-
Due from reinsurers and other insurers	913	7,651	4,938
Deferred policy acquisition costs	13,068	13,952	29,088
Income tax recoverable	16,841	17,991	16,138
Deferred income taxes	496	503	9,481
Property and equipment	12,162	12,469	30,308
Goodwill and intangible assets	43,809	43,959	37,573
Other assets	1,838	2,544	4,786
Assets held for sale	-	-	1,145,481
TOTAL ASSETS	\$ 476,258	\$ 519,581	\$ 1,954,379
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Loan payable	\$ 2,250	\$ -	\$ -
Accounts payable and accrued expenses	36,718	42,385	60,910
Unearned premiums	61,436	66,879	120,657
Unpaid claims	153,463	174,708	368,501
LROC preferred units	13,299	13,076	22,388
Senior unsecured debentures	39,695	37,177	103,512
Subordinated indebtedness	40,343	40,480	23,966
Liabilities held for sale	-	-	907,416
TOTAL LIABILITIES	\$ 347,204	\$ 374,705	\$ 1,607,350
SHAREHOLDERS' EQUITY			
Share capital	\$ 296,489	\$ 296,139	\$ 295,291
Issued and outstanding number of common shares			
52,345,828 – March 31, 2011			
52,095,828 – December 31, 2010			
51,595,828 – January 1, 2010			
Contributed surplus	15,684	15,894	20,549
Retained earnings (deficit)	(210,506)	(192,667)	(19,520)
Accumulated other comprehensive income	27,373	25,016	32,468
Shareholders' equity attributable to shareholders of Kingsway	129,040	144,382	328,788
Non-controlling interests	14	494	18,241
TOTAL EQUITY	129,054	144,876	347,029
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 476,258	\$ 519,581	\$ 1,954,379

Forward Looking Statements

This press release includes “forward looking statements” that are subject to risks and uncertainties. Such forward looking statements relate to future events or future performance, but reflect Kingsway management’s current beliefs, based on information currently available. 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 Kingsway’s securities filings, including its 2010 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. Except as expressly required by applicable securities law, 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.

Non-IFRS Financial Measures

This news release contains certain non-IFRS financial measures. Please refer to the section entitled “Non-IFRS Financial Measures” in the Company’s first quarter 2011 Management’s Discussion and Analysis.

Additional Information

Additional information about Kingsway, including a copy of its Quarterly Report for the quarter ended March 31, 2011, 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