



KINGSWAY ANNOUNCES ACQUISITION OF SPECIALTY INSURANCE BUSINESS

Toronto, Ontario (February 21, 2012) – (TSX:KFS, NYSE:KFS) Kingsway Financial Services Inc. (“Kingsway” or the “Company”) and its subsidiary, 1347 Capital LLC, today announced that the Company has signed a definitive agreement to acquire the tangible and intangible assets and liabilities of a profitable specialty insurance business in a highly structured transaction for total consideration consisting of cash at closing, future contingent payments and common equity in the newly formed entity. Kingsway expects the business to be immediately accretive to operating earnings and cash flow.

“This acquisition represents the type of opportunity we expect to pursue more frequently as we continue to focus on rebuilding shareholder value at Kingsway,” said Larry G. Swets, Jr., Kingsway’s President and Chief Executive Officer. “We will be acquiring an interesting business at an attractive price using a creative structure which is intended to significantly shield the Company from downside risk while allowing it to participate in the value that can be generated under Kingsway’s leadership.” The Company will release more details about the acquisition following the closing of the transaction, which is expected to occur during the second quarter subject to customary closing conditions including regulatory approval.

Sandler O’Neill + Partners, L.P. acted as exclusive financial advisor to Kingsway, and Updike, Kelly & Spellacy, P.C. acted as legal counsel to Kingsway.

Forward Looking Statements

This press release includes “forward looking statements,” including statements regarding the expected timetable for a reverse stock split, which are subject to risks and uncertainties. Such forward looking statements relate to future events or 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, including: our high level of indebtedness; our ability to service our debt and comply with debt covenants; our ability to improve our operating performance; our ability to implement our long-term growth strategies and to identify and execute on strategic initiatives; our ability to maintain share price and trading activities at acceptable levels; and our ability to comply with regulatory requirements and the requirements of stock exchanges.

For information identifying additional 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. 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.



About the Company

Kingsway is a holding company functioning as a merchant bank with a focus on long-term value-creation. The Company owns or controls stakes in several insurance industry assets and utilizes its subsidiaries, 1347 Advisors LLC and 1347 Capital LLC, to pursue opportunities acting as an advisor, an investor and a financier. The common shares of Kingsway are listed on the Toronto Stock Exchange and the New York Stock Exchange under the trading symbol "KFS."