



Kingsway Reports Fourth Quarter and Year-End Results

Toronto, Ontario (March 30, 2012) – (TSX: KFS, NYSE: KFS) Kingsway Financial Services Inc. ("Kingsway" or the "Company") today announced its financial results for the fourth quarter and year ended December 31, 2011, prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All amounts are in U.S. dollars unless indicated otherwise.

The Company reported a net loss of \$10.6 million, or a loss of \$0.20 per diluted share, for the fourth quarter and a net loss of \$27.4 million, or a loss of \$0.52 per diluted share, for the year. The book value has decreased from \$2.78 per share at December 31, 2010 to \$2.22 per share at December 31, 2011. The Company also carries a valuation allowance, in the amount of \$4.97 per share at December 31, 2011, against the deferred tax asset, primarily related to its loss carryforwards.

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

Operational results

- Net operating loss of \$8.9 million was recorded in the Insurance Underwriting segment for the fourth quarter (net operating loss of \$37.1 million year to date).
- Net operating income of \$0.2 million was recorded in the Insurance Services segment for the fourth quarter (net operating income of \$1.7 million year to date).
- Net investment income and realized gains of \$1.8 million were recorded for the fourth quarter (\$5.2 million year to date).
- Net loss of \$3.7 million was recorded in the fourth quarter (net income of \$4.1 million year to date) that is not allocated to any segment. This includes gain from change in fair value of debt of \$0.1 million for the fourth quarter (gain of \$25.9 million year to date).
- The Company recorded no income or loss from discontinued operations for the fourth quarter (net loss of \$1.3 million year to date).

Effective July 1, 2011, the Company ceased to be a "foreign private issuer" as defined in Rule 3b-4 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and became subject to the rules and regulations under the Exchange Act applicable to domestic issuers. As a result, the Company is required to prepare and file its Annual Report on Form 10-K for the fiscal year ended December 31, 2011, whereas its Annual Reports were previously filed on Form 40-F. While we do not believe this change will impact the value of the Company, shareholders will now have to adapt to filings made pursuant to the Exchange Act.

Separately, as required by Ontario Securities Commission National Instrument 51-102 Continuous Disclosure Obligations, the Company has restated its interim financial reports, previously filed under International Financial Reporting Standards, in accordance with U.S. GAAP. The Company remains an Ontario, Canada corporation.

Dividend

The Board of Directors declared no dividend for the fourth quarter of 2011.

Subsequent Events

On January 27, 2012, the Company announced that it is implementing an action to effect a reverse stock split of the Company's common stock. The action is intended to ensure that Kingsway remains in compliance with the New York Stock Exchange ("NYSE") continued listing standards. The action has been approved in principal by the Company's Board of Directors and remains subject to final Board action and shareholder approval. The Company has notified the NYSE of its intention to address through a reverse stock split its non-compliance with the NYSE continued listing requirement that the average closing price of a security not be lower than \$1.00 per share over a consecutive 30 trading-day period, which is the minimum share price requirement. The Company's common stock continues to be listed on the NYSE and trades as usual subject to the NYSE's continued listing standards and monitoring. The Company plans to submit the reverse stock split for shareholder approval at its Annual and Special Meeting of Shareholders to be held May 31, 2012.

On February 21, 2012, the Company and its subsidiary, 1347 Capital LLC, announced that the Company has signed a definitive agreement to acquire the tangible and intangible assets and liabilities of a 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. The transaction, which is subject to customary closing conditions including regulatory approval, is expected to close during the second quarter of 2012. The Company intends to disclose more information about the specialty insurance business being acquired following the closing of the transaction.

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."

Consolidated Statements of Operations
(in thousands, except per share data)

	Years ended December 31,	
	2011	2010
Revenue:		
Net premiums earned	\$ 156,382	\$ 220,011
Service fee and commission income	31,607	13,008
Net investment income	4,086	12,819
Net realized gains	1,095	9,257
Gain (loss) on change in fair value of debt	25,876	(107,269)
Other income	9,501	17,055
Total revenues:	228,547	164,881
Expenses:		
Loss and loss adjustment expenses	\$ 143,145	\$ 214,045
Commissions and premiums taxes	24,305	36,688
General and administrative expenses	77,936	101,644
Restructuring costs	—	4,803
Interest expense	7,478	14,825
Amortization of other intangible assets	73	4,369
Goodwill impairment	2,830	—
Total expenses	255,767	376,374
Loss before gains on debt, equity in net income of investees and income tax benefit	(27,220)	(211,493)
Gain on buy-back of debt	556	3,110
Gain on consolidation of debt	—	17,821
Equity in net income of investees	417	—
Loss from continuing operations before income tax benefit	(26,247)	(190,562)
Income tax benefit	(169)	(6,118)
Loss from continuing operations	\$ (26,078)	\$ (184,444)
Loss from discontinued operations, net of taxes	—	(7,508)
(Loss) gain on disposal of discontinued operations, net of taxes	(1,293)	30,390
Net loss	\$ (27,371)	\$ (161,562)
Attributable to:		
Common shareholders	(20,138)	(165,276)
Noncontrolling interests in consolidated subsidiaries	(7,233)	3,714
Total	\$ (27,371)	\$ (161,562)
Loss per share - continuing operations:		
Basic and diluted:	\$ (0.50)	\$ (3.54)
(Loss) earnings per share - discontinued operations:		
Basic and diluted:	\$ (0.02)	\$ 0.44
Loss per share – net loss:		
Basic and diluted:	\$ (0.52)	\$ (3.10)
Weighted average shares outstanding (in '000s):		
Basic and diluted:	52,346	52,094

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

In the fourth quarter of 2011, the Company reported a loss from continuing operations of \$10.6 million (loss of \$26.1 million year to date), compared to a loss from continuing operations of \$47.3 million in the fourth quarter of last year (loss of \$184.4 million prior year to date). Diluted loss per share was \$0.20 for the quarter (diluted loss per share of \$0.50 year to date), compared to diluted loss per share of \$0.91 for the fourth quarter of 2010 (diluted loss per share of \$3.54 prior year to date). As noted above, the current quarter's loss is primarily due to operating losses generated in our Insurance Underwriting segment.

Income (Loss) from Discontinued Operations

For the fourth quarter and year to date ended December 31, 2011, the Company reported no loss from discontinued operations, compared to a loss of \$3.6 million in the fourth quarter of 2010 (loss of \$7.5 million prior year to date). For the fourth quarter of 2011, the Company realized no gain or loss related to the disposals of discontinued operations (loss of \$1.3 million year to date), compared to no gain or loss in the fourth quarter of 2010 (gain of \$30.4 million prior year to date).

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

In the fourth quarter of 2011, the Company reported net loss of \$10.6 million (loss of \$27.4 million year to date), compared to net loss of \$50.8 million in the fourth quarter of last year (loss of \$161.6 million prior year to date). Diluted loss per share was \$0.20 for the quarter (diluted loss per share of \$0.52 year to date) compared to diluted loss per share of \$0.97 for the fourth quarter of 2010 (diluted loss per share of \$3.10 prior year to date).

Consolidated Balance Sheets
(in thousands, except per share data)

	December 31, 2011	December 31, 2010
ASSETS		
Investments:		
Fixed maturities, at fair value (amortized cost of \$91,344 and \$126,210, respectively)	\$ 93,651	\$ 127,863
Equity investments, at fair value (cost of \$2,689 and \$92, respectively)	2,960	82
Other investments, at cost which approximates fair value	488	490
Short-term investments, at cost which approximates fair value	20,334	18,249
Total investments	117,433	146,684
Investment in investees	48,689	49,079
Cash and cash equivalents	85,486	140,567
Accrued investment income	1,999	1,957
Premiums receivable, net of allowance for doubtful accounts of \$3,653 and \$4,789, respectively	28,732	48,890
Service fee receivable	12,947	6,493
Other receivables	6,322	4,583
Reinsurance recoverable	697	8,652
Prepaid reinsurance premiums	2,024	—
Deferred policy acquisition costs, net	8,116	13,952
Income taxes recoverable	8,134	17,991
Deferred income taxes	—	503
Property and equipment, net of accumulated depreciation of \$27,736 and \$28,743	13,040	13,961
Goodwill and intangible assets	39,631	42,467
Funds held in escrow	—	22,259
Other assets	831	2,541
TOTAL ASSETS	\$ 374,081	\$ 520,579
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Unpaid loss and loss adjustment expenses	\$ 120,258	\$ 174,708
Unearned premiums	39,423	66,879
Reinsurance payable	1,913	1,001
LROC preferred units	8,845	13,076
Senior unsecured debentures	28,337	37,177
Subordinated debt	16,432	40,480
Deferred income tax liability	2,653	—
Notes payable	2,418	—
Deferred revenue	11,128	11,200
Accrued expenses and other liabilities	26,269	31,185
TOTAL LIABILITIES	\$ 257,676	\$ 375,706
SHAREHOLDERS' EQUITY		
Common stock, no par value; unlimited number authorized; 52,345,828 and 52,095,828 issued and outstanding at December 31, 2011 and December 31, 2010, respectively	\$ 296,489	\$ 296,139
Additional paid-in capital	15,403	15,440
Accumulated deficit	(201,208)	(181,070)
Accumulated other comprehensive income	12,749	14,407
Shareholders' equity attributable to common shareholders	123,433	144,916
Noncontrolling interests in consolidated subsidiaries	(7,028)	(43)
TOTAL SHAREHOLDERS' EQUITY	116,405	144,873
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 374,081	\$ 520,579

Forward Looking Statements

This press release includes “forward looking statements” 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, please refer to the section entitled “Risk Factors” in the Company’s 2011 Annual Report. 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-U.S. GAAP Financial Measures

This news release contains certain non-U.S. GAAP financial measures. Please refer to the section entitled “Non-U.S. GAAP Financial Measures” in the Management’s Discussion and Analysis of the Company’s 2011 Annual Report.

Additional Information

Additional information about Kingsway, including a copy of its 2011 Annual Report, can be accessed on the Canadian Securities Administrators’ website at www.sedar.com, 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.