



Kingsway Grants Exemption from Tax Benefit Preservation Plan

TORONTO, October 16, 2012 /CNW/ - (TSX: KFS) (NYSE: KFS) Kingsway Financial Services Inc. ("**Kingsway**" or the "**Company**") today announced that its Board of Directors (the "**Board**") has received and granted an exemption request under its tax benefit preservation plan (the "**Plan**") to Oakmont Capital Inc., a company controlled by Gregory Hannon and Terence Kavanagh, both of whom are members of the Board.

The Plan was implemented September 28, 2010 to protect the value of the Company's net operating losses (the "**NOLs**") accumulated in the Company's United States subsidiaries. While the Plan is designed to penalize the economic interests of any person or group which acquires 5% or more of the Company's outstanding common shares without approval of the Board, it also provides for a limited grandfathering provision for existing 5% plus shareholders of the Company.

Oakmont Capital Inc. owns approximately 6.2% of the common shares of Kingsway and is eligible to submit exemption requests through the grandfathering provision of the Plan. An exemption to purchase up to an additional 2% of shares on the open market was received by the Company on October 10, 2012. As approved by the Board, the exemption granted to Oakmont is conditioned upon a two-week waiting period to allow other investors interested in considering exemption requests to petition the Board as well. Requests will be considered on a case-by-case basis and an exemption is at the discretion of the Board.

The full Plan is available for review on the Company's website.

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."

Forward Looking Statements

This press release includes "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. Words such as "expects", "believes", "anticipates", "intends", "estimates", "seeks" and variations and similar words and expressions are intended to identify such forward-looking statements. 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, including, without limitation, our potential inability to complete current or future acquisitions successfully, our inability to successfully implement our restructuring activities, and our inability to adequately estimate and provide for an appropriate level of reserving at our insurance company subsidiaries. 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 Annual Report on Form 10-K for the year ended December 31, 2011 ("2011 Annual Report") and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2012. 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.

Additional Information

Additional information about Kingsway, including a copy of its 2011 Annual Report and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, 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.