



EGI Financial Reports Strong Q4 and Year-end Results

TORONTO, Feb. 23, 2006 - EGI Financial Holdings Inc. (TSX:EFH) today announced its results for the fourth quarter and year ended December 31, 2005. In 2005, EGI Financial continued to increase its written premiums and net income and build market share with its specialty general insurance products offering.

Highlights

Q4 2005

- Net income of \$3.1 million or \$0.35 per share, fully-diluted
- Combined ratio of 88.2%
- Annualized return on equity of 19.6%

2005 (full year)

- Net income of \$11.2 million or \$1.30 per share, fully-diluted, before extraordinary gain
- Combined ratio of 88.0%
- Annualized return on equity of 30.1%

EGI Financial uses both Canadian generally accepted accounting principles (GAAP) and certain non-GAAP measures to assess performance. Readers are cautioned that non-GAAP measures do not have a standardized meaning under GAAP and are unlikely to be comparable to similar measures used by other companies. EGI Financial analyses performance based on underwriting ratios such as combined, expense and loss ratios as defined in regulations established under the Insurance Companies Act (Canada). Return on equity (ROE) is a non-GAAP measure which represents EGI Financial's net income for the twelve months ended on the date indicated divided by the average shareholders' equity over the same twelve-month period. For a calendar quarter the number resulting from the abovementioned calculation is multiplied by four to create the annualized return on equity. The financial numbers are determined in accordance with GAAP.

This is the first reporting period for EGI Financial since its initial public offering (IPO) was completed on December 8, 2005. As a result, in order to provide investors with a more meaningful assessment of its recent performance, EGI Financial also announced comparative results for the three-month period ended December 31, 2004. In reviewing the comparative results, it is important to note that in January 2005, EGI Financial acquired the 50% of Echelon General Insurance Company that it did not already own (the Echelon transaction). Results for 2005 reflect a 100% consolidation of Echelon, while 2004 results reflect a 50% consolidation of Echelon. Selected pro forma comparative

financial information for the fourth quarter of 2004 and year-end 2004, showing Echelon consolidated at 100%, has been included in this earnings release.

Q4 Results

For the fourth quarter of 2005, EGI Financial generated direct written premiums totaling \$28.1 million, compared with \$13.8 million in the corresponding period last year. The increase was attributable to the Echelon transaction and organic growth.

Underwriting profit in the quarter was \$2.5 million, compared with \$1.6 million last year. The increase was attributable to the revenue impact of the Echelon transaction and the release of reserve redundancies in the fourth quarter of 2004, as a result of the December 31, 2004 actuarial review.

The combined ratio, being the addition of the ratio of net losses incurred to net earned premiums, and the ratio of underwriting expenses to net earned premiums, for the fourth quarter of 2005 was 88.2% compared to 82.2% last year.

The loss ratio, being net losses incurred expressed as a percentage of net earned premiums was 60.6% while the expense ratio, being expenses incurred expressed as a percentage of net earned premiums was 27.6% in 2005. This compares with 50.7% and 31.5% respectively, in the same period of 2004.

Investment income in the quarter was \$1.8 million compared to \$1.1 million last year. During the fourth quarter of 2005, net realized gains (before tax) were \$96,000, compared to \$859,000 last year.

Net income in the quarter was \$3.1 million compared with \$2.9 million last year, an increase of 6.9 percent. Earnings per share, on a fully-diluted basis, were \$0.35 in the fourth quarter 2005 compared to \$0.63 in the same period last year. This represents an annualized return on equity of 19.6%.

On the pro forma basis, in the fourth quarter of 2005 direct written premiums increased 4.5% compared to the fourth quarter of 2004, underwriting profit was \$2.5 million compared to \$3.6 million, and net income was \$3.1 million compared to \$5.6 million in 2004. EGI Financial's reserves are reviewed and certified by its consulting actuary twice yearly, as at June 30 and December 31. An actuarial reserve release of \$3.0 million occurred in the fourth quarter of 2004, compared to a release of \$1.6 million in the fourth quarter of 2005. When these actuarial adjustments are excluded from the quarterly results, the fourth quarter 2005 underwriting result also outperformed on a pro forma basis the fourth quarter in 2004.

“We are pleased with our results in the fourth quarter,” said Douglas McIntyre, Chief Executive Officer of EGI Financial. “The performance reflects the continued growth and profitability of our business.”

In addition, in the fourth quarter EGI Financial completed an initial public offering of its shares, raising gross proceeds of \$35 million. Fifty percent (50%) of this amount went to selling shareholders and EGI Financial received proceeds, net of all expenses, of \$16.1 million.

2005 Annual Results

EGI Financial’s twelve-month results for 2004 and 2005 include the fourth quarter results reported today and the first nine-months information, previously disclosed in the company’s IPO prospectus.

Direct written premiums for 2005 were \$117.0 million, up 104 percent from \$57.2 million in 2004. Direct written premiums in the Automobile Division for 2005 were \$105.6 million, up 93 percent from \$54.6 million in 2004. Direct written premiums in the Niche Products Division for 2005 were \$11.4 million, up 338 percent from \$2.6 million in 2004. The increases are attributable to the Echelon transaction and organic growth.

Net written premiums (after reinsurance) for 2005 were \$91.8 million, up 161 percent from \$35.2 million in 2004. Net written premiums in the Automobile Division for 2005 were \$83.5 million, up 150 percent from \$33.4 million in 2004. Net written premiums in the Niche Products Division for 2005 were \$8.3 million, up 361 percent from \$1.8 million in 2004. In addition to the Echelon transaction and organic growth, the increase in net written premiums was caused by the purchase of a 25% quota share reinsurance treaty in 2005 compared to a 35% quota share treaty in 2004, and to the withdrawal by EGI Financial of \$9.1 million of unearned premiums from the 2005 quota share on December 31, 2005.

Geographically, EGI Financial’s business in 2005 was derived from Ontario (90%), Quebec (6%), Alberta (1%) and other jurisdictions in Canada (3%).

Underwriting profit for the year was \$9.4 million, compared with \$1.4 million last year. The change was attributable to the Echelon transaction, the improved profitability of EGI Financial’s business and to the timing and amount of actuarial reserve adjustments. During 2005, EGI Financial recorded a redundancy on prior year claims reserves of \$6.5 million, compared to a deficiency of \$0.6 million in 2004.

The combined ratio for the year was 88.0%, with a loss ratio of 60.3% and an expense ratio of 27.7%, compared to the combined ratio of 96.8%, with a loss ratio of 66.6% and an expense ratio of 30.2%, in 2004. For the year, the combined ratio for the Automobile Division improved to 86.5%, compared to 94.0% in 2004 and the combined ratio for the

Niche Products Division improved to 96.4%, compared to 106.7% in 2004. EGI Financial believes that the combined ratio for the full year is the best measure of the profitability of its underwriting business.

Investment income for 2005 was \$7.5 million compared to \$3.4 million last year, largely due to the Echelon transaction. During the year, net realized gains were \$1.2 million, compared to \$0.9 million last year. At December 31, 2005, net unrealized gains of \$7.2 million include net unrealized gains on the common share portfolio of \$6.2 million (\$0.64 per common share outstanding).

Including an extraordinary gain, specifically \$5.7 million resulting from the Echelon transaction, net income was \$16.9 million in 2005 compared with \$6.0 million in 2004, an increase of 182 percent. Fully diluted earnings per share, on the same basis, were \$1.96 for 2005 compared to \$1.29 in 2004. Excluding the extraordinary gain, net income was \$11.2 million or \$1.30 per share fully diluted.

On the pro forma basis, direct written premiums in 2005 increased 3.5% compared to 2004, underwriting profit was \$9.4 million compared to \$3.5 million in 2004 and net income was \$16.9 million compared to \$10.3 million in 2004.

As a result of the improved profitability of the business, the annualized return on equity increased to 30.1% in 2005 from 27.0% in 2004, despite the receipt of the net proceeds of the IPO of \$16.1 million very late in the period, which had the effect of slightly reducing the annualized 2005 calculation. The Company intends to utilize the IPO proceeds more fully in 2006 through the retention of existing business (by purchasing less reinsurance) and growth in new business.

Total assets at December 31, 2005 grew to \$260.7 million. The investment portfolio at book value, including cash and premium finance receipts, increased to \$187.4 million (market value was \$194.6 million or \$20.30 per share), compared to \$72.2 million (market value \$75.1 million or \$16.55 per share) at December 31, 2004. The fair value increment over book value of the investment portfolio increased to \$0.75 per share in at year-end 2005 from \$0.64 at the prior year-end.

GAAP book value per share increased to \$7.33 at December 31, 2005 from \$5.08 at December 31, 2004.

The ratio of net written premiums in 2005 to shareholders' equity was 1.26 at December 31, 2005. Echelon's Minimum Capital Test (MCT) margin at December 31, 2005 was 368%, providing EGI Financial with the financial strength to grow its business utilizing its current resources.

"Looking forward, we are optimistic about the prospects for the company," added Mr. McIntyre. "Our core non-standard auto business is expected to grow through appointing new producers and the addition of other vehicle types. We see numerous opportunities to

expand our specialty niche insurance programs, both organically and through acquisitions.”

EGI Financial also announced its Board of Directors has implemented a policy of paying quarterly dividends to shareholders. EGI Financial’s first dividend will be \$0.04 per share, payable on March 31, 2006 to shareholders of record as at March 15, 2006.

On January 6, 2006, EGI Financial announced that Echelon had entered into a brokerage agreement with Riders Plus, under which Echelon expected to receive \$5 million of new Ontario motorcycle premiums during 2006. Today, EGI Financial announced that after further review, Echelon has agreed to underwrite Riders Plus’ existing book of Ontario motorcycle business as policies renew. Consequently, Echelon now expects to receive approximately \$11.0 million of new and renewal Ontario motorcycle premiums in 2006, under its agreement with Riders Plus. As there is no minimum amount of premiums guaranteed under the agreement, the amount of these premiums ultimately recorded in 2006 by Echelon will depend on Riders Plus’ ability to retain its current share of the Ontario motorcycle insurance market.

About EGI Financial

Founded in 1997, EGI Financial operates in the property and casualty insurance industry in Canada, primarily focusing on non-standard automobile insurance and other niche and specialty general insurance products. EGI Financial’s common shares are traded on the Toronto Stock Exchange under the symbol EFH.

Forward-looking Information

This news release contains forward-looking information based on current expectations. This information includes, but is not limited to, statements about the operations, business, financial condition, priorities, targets, ongoing objectives, strategies and outlook of EGI Financial for 2006 and subsequent periods. Forward-looking information is typically identified by the words “looking forward”, “opportunities”, “see”, “believe”, “expect”, “anticipate”, “intend”, “estimate” and other similar expressions.

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a projection as reflected in the forward-looking information, including the adequacy of Echelon’s claims reserves, the credit worthiness of Echelon’s reinsurers and certain of its policyholders and intermediaries, Echelon’s reliance on independent brokers, agents and MGAs to sell its products and Riders Plus’ ability to retain its current share of the Ontario motorcycle insurance market.

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific. A variety of material factors, many of which are beyond EGI Financial’s control, affect the operations, performance and results of EGI Financial and its business, and could cause actual results to differ materially from the expectations

expressed in any of this forward-looking information. These factors include: EGI Financial's success in developing and introducing new products and services, expanding existing distribution channels, developing new distribution channels and realizing increased revenue from these channels; legislative or regulatory developments in the jurisdictions where EGI Financial operates, including developments in provincial laws regulating insurance rates and rating methodologies; claims developments and the resolution of legal proceedings and related matters; the effect of applying future accounting changes; changes in tax laws; weather and other acts of God, in particular those affecting potential insurance claims; competition from established competitors and new entrants in the insurance industry; technological change; global capital market activity; interest rate fluctuations; currency value fluctuations; political conditions and developments; general economic conditions in Canada; and EGI Financial's ability to anticipate and manage the risks associated with these factors.

This list is not exhaustive of the factors that may affect any of EGI Financial's forward-looking information. These and other factors should be considered carefully and readers are cautioned not to place undue reliance on forward-looking information. EGI Financial does not undertake to update any forward-looking information.

Additional information about the risks and uncertainties about EGI Financial's business is provided in its disclosure materials, including its prospectus, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Conference call

A conference call for analysts and interested listeners will be held Friday, February 24, 2006 at 11:00 a.m. (ET). The call-in numbers for participants are 416-644-3424 or 866-249-2157. A live audio feed of the call will also be available on the Internet at: <http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1365100>

A replay of the call will be available from 2:00 p.m. (ET) on February 24, 2006 until 11:59 p.m. on March 3, 2006. To access the replay, call 416-640-1917 or 877-289-8525, enter pass code number 21175442, and then press the pound key. The replay can also be accessed over the Internet at the above address.

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