



EGI Financial Holdings Reports Excellent 2006 Results

Strong Underwriting and Investment Performance Drive Outstanding Fourth Quarter

\$000	3-months ended Dec 31, 2006	3-months ended Dec 31, 2005	% Increase/ (Decrease)	12-months ended Dec 31, 2006	12-months ended Dec 31, 2005	% Increase/ (Decrease)
Direct written premiums	\$25,936	\$28,081	(7.6%)	\$117,834	\$117,006	0.7%
Net earned premiums	\$24,190	\$19,950	21.3%	\$103,942	\$76,344	36.1%
Underwriting income	\$3,493	\$2,452	42.5%	\$14,510	\$9,418	54.1%
Investment income	\$4,456	\$1,815	145.5%	\$11,033	\$7,527	46.6%
Income before extraordinary gain	\$5,200	\$3,058	70.1%	\$16,981	\$11,208	51.5%
Diluted earnings per share before extraordinary gain	\$0.51	\$0.35	45.7%	\$1.67	\$1.30	28.5%

TORONTO, February 22, 2006 - EGI Financial Holdings Inc. (TSX:EFH) today announced its results for the fourth quarter and year ended December 31, 2006. In the fourth quarter of 2006, the Company maintained the strong momentum demonstrated in its underwriting business in the previous quarter, and also benefited from realized gains in its investment portfolio. As a result, the Company produced a 46% increase in quarterly earnings per share compared to the prior year.

In the fourth quarter of 2006, the benefits of EGI Financial's decision to develop its Niche Products business were reflected in the Company's consolidated revenue. While competitive markets in Echelon's traditional Personal Lines (formerly the Automobile) Division resulted in a 14% decline in direct written premiums, the Niche Products Division experienced a 31% increase. Total direct written premiums were \$25.9 million compared with \$28.1 million in the corresponding period last year. Despite the decrease in direct written premiums, net earned premiums rose 21% in the 2006 fourth quarter from \$20.0 million to \$24.2 million, as a result of the elimination of the 2005 quota share reinsurance arrangements.

Underwriting profit in the quarter increased 43% from \$2.5 million to \$3.5 million. The strong increase was attributable primarily to the Company's non-standard automobile business, which continues to experience redundancy in its loss reserves, thus improving the auto loss ratio to 62.9% in 2006 compared to 63.5% in the same period last year. Also as a result of the profitable underwriting results for policy year 2005, the company recorded additional reinsurance commission income of \$1.5 million.

The combined ratio -- 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 2006 improved to 85.6% compared with 88.1% for the same period last year. EGI Financial believes that the combined ratio is the best measure of the profitability of its underwriting business.

The loss ratio in the 2006 fourth quarter -- being net losses incurred expressed as a percentage of net earned premiums -- was 61.0%, while the expense ratio, being expenses incurred expressed as a percentage of net earned premiums, was 24.6%. This compares with 60.6% and 27.5% respectively in the same period of 2005. The lower expense ratio was responsible for the 2.5 percentage point year-over-year improvement in the combined ratio.

Investment income increased 146% from \$1.8 million to \$4.5 million in the final quarter of 2006. This significant year-over-year increase in 2006 was primarily due to the realization of gains totaling \$2.2 million, as well as an increase in invested assets resulting from additional cash flow generated from 2006 operations and funds raised from the Company's Initial Public Offering in December 2005.

Net income in the 2006 fourth quarter was \$5.2 million compared with \$3.1 million last year, an increase of 70%. Fully diluted net income per share was \$0.51 in the 2006 period, compared to \$0.35 in the same period last year. The improvement was primarily attributable to the year-over-year improvement in the combined ratio as well as the increase in investment income in 2006.

"EGI's business continued to perform well in the fourth quarter of 2006," said Douglas McIntyre, Chief Executive Officer of EGI Financial. "Despite the ongoing competitive conditions in our core automobile business, we continue to produce strong bottom-line results. I would note further that we are accomplishing this while maintaining a very conservative reserving strategy. In fact, the fourth quarter of 2006 marked the fifth consecutive quarter with reserve releases, as approved by the Company's independent actuary."

Q4 2006 Personal Lines (Automobile) Division performance:

- Underwriting revenue increased 17.4% to \$20.7 million
- Underwriting income* increased 48.8% to \$3.7 million from \$2.5 million
- Combined ratio 82.2% compared with 86.0% in 2005

Q4 2006 Niche Products Division performance:

- Underwriting revenue increased 51.0% to \$3.5 million
- Underwriting income* decreased to a small loss from a profit of \$0.1 million
- Combined ratio 101.2% compared with 99.8% in 2005

* Before corporate expenses (\$0.1 million in both years) and taxes, which are not allocated by division

EGI Financial also announced that, in light of the continued improvement in the Company's financial performance, its Board of Directors has increased the quarterly dividend by 25%. The Board has declared a dividend of \$0.05 per share, payable on March 30, 2007 to shareholders of record on March 15, 2007.

For the year ended December 31, 2006, EGI Financial generated gross written premiums totaling \$117.8 million, 1% above the \$117.0 million level in the corresponding period last year. Despite the modest increase in gross written premiums, net earned premiums rose 36% in 2006 from \$76.3 million to \$103.9 million.

Underwriting profit in the year increased 54% to \$14.5 million compared with \$9.4 million on the same basis last year. The increase primarily reflected the Company's disciplined underwriting focus and the auto division's favourable claims environment, which led to the improved loss ratio.

The combined ratio for 2006 was 86.0% compared with 88.0% for the same period last year. The loss ratio in the 2006 period was 57.2% and the expense ratio was 28.8%. This compares with 60.3% and 27.7% respectively in the 2005 period.

Investment income for 2006 was \$11.0 million compared to \$7.5 million last year, an increase of 47%, reflecting the realized gains and increased size of the portfolio, as noted above.

Net income in 2006 was \$17.0 million compared with \$11.2 million last year, before extraordinary gains, an increase of 52%. Fully diluted net income per share, on the same basis, was \$1.67 in 2006, compared to \$1.30 last year. This represents an annualized return on equity of 21.4%.

Year ended December 31, 2006 Personal Lines (Automobile) Division performance:

- Underwriting revenue increased 30.7% to \$91.0 million
- Underwriting income* increased 61.6% to \$15.1 million
- Combined ratio reduced to 83.4% from 86.5% in 2005

Year ended December 31, 2006 Niche Products Division performance:

- Underwriting revenue increased 86.6% to \$12.9 million
- Underwriting income* decreased from \$0.5 million to \$0.2 million, primarily due to an IBNR bulk claims reserve charge of \$0.8 million during the year
- Combined ratio 98.1% compared with 96.4% for the 2005 period

* Before corporate expenses (\$0.9 million in 2006; \$0.4 million in 2005) and taxes, which are not allocated by division

Geographically, EGI Financial's business in 2006 was derived from Ontario (86%), Quebec (8%), Alberta (2%) and other jurisdictions in Canada (4%).

Total assets at December 31, 2006 were \$288.4 million. The investment portfolio at book value, including cash and premium finance receipts, increased to \$215.2 million (market value was \$223.4 million or \$23.18 per share), compared to \$187.4 million (market value \$194.6 million or \$20.31 per share) a year earlier. The fair value increment over book value of the investment portfolio increased to \$0.84 per share from \$0.75 per share at December 31, 2005.

At year-end 2006, the common share portfolio had a market value of \$25.5 million including \$7.1 million of net unrealized gains (\$0.74 per common share outstanding), while the bond portfolio included net unrealized gains totaling \$1.0 million (\$0.10 per common share outstanding).

Book value per share was \$8.93 at December 31, 2006 compared with \$7.33 per share a year earlier.

The annualized ratio of net written premiums in 2006 to shareholders' equity was 1.23 times. Echelon's Minimum Capital Test (MCT) margin at year-end 2006 was 364%, providing EGI Financial with the financial strength to grow its business utilizing its current resources.

Full Financial Statements and Management's Discussion and Analysis (MD&A) will be available at a later date at www.sedar.com and on the Company's web site at: www.egi.ca/financial.html.

"2006 was not just a year of financial success for EGI. We also made very considerable progress in advancing our other business objectives, despite challenges in our home market and main line of business," added Mr. McIntyre. "We continued to successfully diversify our business, both by expanding our Niche Products business and also entering the Ontario motorcycle insurance market, where we generated \$7.6 million in direct written premiums. We are actively expanding our business geographically with our two-year agreement with AssuranceAmerica, under which we will reinsure up to US\$15 million of non-standard automobile premiums in 2007 in the southeastern United States."

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 analyzes 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.

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.

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. 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.

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 annual information form, 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 23, 2007 at 11:00 a.m. (ET). The call-in numbers for participants are 416-644-3417 or 800-732-6179. A live audio feed of the call will also be available on the Internet at:

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=1737340>

A replay of the call will be available from 1:00 p.m. (ET) on February 23, 2007 until 11:59 p.m. on March 2, 2007. To access the replay, call 416-640-1917 or 877-289-8525, enter pass code number 21219407, and then press the pound (#) key. The replay can also be accessed over the Internet at the above address.

For further information:

Douglas E. McIntyre
Chief Executive Officer
EGI Financial Holdings Inc.

Consolidated Financial Statements of

EGI FINANCIAL HOLDINGS INC.

December 31, 2006

EGI FINANCIAL HOLDINGS INC.
Unaudited Consolidated Balance Sheets
as at December 31

(in \$ thousands, except share amounts)

Assets	2006	2005
Cash and short-term deposits.....	17,153	15,899
Investments (note 4).....	179,383	152,736
Reinsurers' share - unearned premiums (note 5).....	3,831	2,761
- unpaid claims (note 6).....	48,385	54,043
Accounts receivable.....	22,182	22,271
Income taxes recoverable.....	572	273
Due from insurance companies.....	3,996	2,504
Deferred policy acquisition costs.....	7,465	6,289
Capital assets (note 8).....	799	560
Future income taxes (note 12).....	4,403	3,133
Prepaid expenses and other assets.....	270	262
	<u>288,439</u>	<u>260,731</u>
Liabilities		
Provision for unpaid claims (note 6).....	146,101	129,173
Unearned premiums (note 5).....	43,154	39,973
Unearned commission.....	733	1,261
Accounts payable and accrued liabilities.....	4,746	4,503
Payable to insurance companies.....	4,428	7,340
Income taxes payable.....	3,151	5,708
Other liabilities.....	85	188
	<u>202,398</u>	<u>188,146</u>
Shareholders' Equity		
Share capital (note 9).....	45,833	47,660
Contributed surplus (note 10).....	149	80
Retained earnings.....	40,059	24,845
	<u>86,041</u>	<u>72,585</u>
	<u>288,439</u>	<u>260,731</u>

EGI FINANCIAL HOLDINGS INC.
Unaudited Consolidated Statements of Income
for the Years Ended December 31
(in \$ thousands, except share amounts)

	2006	2005
Revenue:		
Direct written premiums	117,834	117,006
Net written premiums.....	106,047	91,783
Net earned premiums	103,942	76,344
Investment income	11,033	7,527
Other revenue	1	227
	<u>114,976</u>	<u>84,098</u>
Expenses		
Incurred claims	59,503	45,997
Acquisition costs	19,499	12,073
Operating expenses	10,431	9,083
	<u>89,433</u>	<u>67,153</u>
Income before income taxes	<u>25,543</u>	<u>16,945</u>
Income tax expense (recovery) (note 12)		
Current	9,832	7,505
Future	(1,270)	(1,768)
	<u>8,562</u>	<u>5,737</u>
Income from operations	16,981	11,208
Extraordinary gain, net of income taxes (note 2)	-	5,669
Net income	<u>16,981</u>	<u>16,877</u>
Earnings per share (note 18):		
Net income per share before extraordinary gain	1.76	1.38
Net income per share from extraordinary gain	-	0.71
Net income per share	1.76	2.09
Net income per diluted share before extraordinary gain	1.67	1.30
Net income per diluted share from extraordinary gain	-	0.66
Net income per diluted share	1.67	1.96

EGI FINANCIAL HOLDINGS INC.
Unaudited Consolidated Statements of Changes in Shareholders' Equity
for the Years ended December 31
(in \$ thousands, except share amounts)

	2006	2005
Share capital		
Balance, beginning of year	47,660	17,341
Common shares issued	328	30,319
Redemption of Series F special shares	(2,155)	-
	<u>45,833</u>	<u>47,660</u>
Contributed surplus		
Balance, beginning of year	80	-
Stock options – granted	97	80
– exercised	(28)	-
	<u>149</u>	<u>80</u>
Retained earnings		
Balance, beginning of year	24,845	7,968
Net income	16,981	16,877
Dividends – Series F special shares	(229)	-
– Common shares	(1,538)	-
	<u>40,059</u>	<u>24,845</u>
Total, end of year	<u>86,041</u>	<u>72,585</u>

EGI FINANCIAL HOLDINGS INC.
Unaudited Consolidated Statements of Cash Flows
for the Years Ended December 31
(in \$ thousands, except share amounts)

	2006	2005
Cash provided by (used in):		
Operating activities:		
Net income	16,981	16,877
Items not involving cash:		
Amortization of capital assets	433	448
Amortization of premium on bonds	386	177
Realized gains on investments	(3,489)	(1,221)
Extraordinary gain	-	(6,819)
	<u>14,311</u>	<u>9,462</u>
Cash flow from change in:		
Reinsurers' share of unearned premiums	(1,070)	10,981
Reinsurers' share of unpaid claims	5,610	(4,087)
Accounts receivable	89	(2,190)
Income taxes recoverable	(299)	(273)
Due from insurance companies	(1,492)	(2,504)
Accounts payable and accrued liabilities	(3,300)	(15,564)
Provision for unpaid claims	16,976	21,426
Unearned premiums	3,181	4,445
Income taxes payable	(2,557)	3,749
Future income taxes	(1,270)	(1,267)
Other assets	(8)	(12)
Deferred acquisition cost	(1,176)	(884)
	<u>28,995</u>	<u>23,282</u>
Financing activities		
Issue of common shares	397	16,096
Redemption of Series F special shares	(2,384)	-
Common share dividends	(1,538)	-
	<u>(3,525)</u>	<u>16,096</u>
Investing activities:		
Acquisition of subsidiary, net of cash acquired	-	5,646
Purchase of capital assets	(672)	(564)
Purchase of investments	(193,256)	(75,508)
Sale/maturity of investments	169,712	39,620
	<u>(24,216)</u>	<u>(30,806)</u>
Increase in cash and short-term deposits	1,254	8,572
Cash and short-term deposits, beginning of year	<u>15,899</u>	<u>7,327</u>
Cash and short-term deposits, end of year	<u>17,153</u>	<u>15,899</u>
Supplementary information		
Income taxes paid	12,713	4,195