



EGI Financial Reports Strong 2007 Results

Looks forward to Opportunities Changing Market Cycle Has to Offer

TORONTO, February 21, 2008 - EGI Financial Holdings Inc. (TSX:EFH) today announced its results for the fourth quarter and year ended December 31, 2007.

“In competitive conditions persisting in the non-standard auto line of business and increasing loss ratios being produced by standard line insurers, EGI is poised to be opportunistic as standard line insurers reverse earlier actions taken to gain market share”, said Douglas McIntyre, Chief Executive Officer of EGI Financial. “While underwriting results in the Canadian P&C insurance industry continue to erode and trend down toward the industry’s historic norms, EGI will continue to aggressively pursue new business initiatives presenting significant growth opportunities and further diversification from the Ontario non-standard auto marketplace. With the continued market downturn we are seeing an increase in the number of potential acquisition opportunities and are encouraged by recent signs that sellers are adjusting price expectations to more realistic levels, making acquisitions more palatable to a growth oriented company such as EGI.”

\$000	3-months ended Dec. 31, 2007	3-months ended Dec. 31, 2006	% Change	12-months ended Dec. 31, 2007	12-months ended Dec. 31, 2006	% Change
Direct written and assumed premiums	\$43,098	\$25,936	66.2%	\$157,935	\$117,834	34.0%
Net written and assumed premiums	\$39,257	\$22,949	71.1%	\$146,511	\$106,047	38.2%
Net earned premiums	\$34,161	\$24,190	41.2%	\$119,606	\$103,943	15.1%
Underwriting income	\$609	\$3,493	(82.6%)	\$9,982	\$14,510	(31.2%)
Investment income	\$5,049	\$4,456	13.3%	\$12,954	\$11,033	17.4%
Net income	\$3,727	\$5,200	(28.3%)	\$15,065	\$16,981	(11.3%)
Net income per diluted share	\$0.35	\$0.51	(31.4%)	\$1.45	\$1.67	(13.2%)
Book value	\$10.50	\$8.93	17.6%	\$10.50	\$8.93	17.6%

In the fourth quarter of 2007, EGI Financial generated direct written and assumed premiums totaling \$43.1 million, 66.2% above the \$25.9 million level in the corresponding period last year. The increase was primarily attributable to the new reinsurance treaties with AssuranceAmerica and from significant premium growth generated by our Niche Products division, particularly in the emergency travel health line of business. The significant growth in both the Personal Lines and Niche Products segments more than offset weakness in the Ontario non-standard auto

business, where standard insurance carriers continued to pursue what have traditionally been seen as non-standard risks.

Net written and assumed premiums increased 71.1% to \$39.3 million, attributable to the above-mentioned growth and more effective utilization of the Company's capital, through increased risk retention.

Net earned premiums rose 41.2% in 2007 to \$34.2 million from \$24.2 million last year, reflecting the year-over-year increase in direct premiums written and assumed. The growth in net earned premiums is lower than the growth in net premiums written due to the significant amount of emergency travel health premiums written in the last quarter of 2007. This premium is earned primarily during the period November 2007 through April 2008 resulting in a significant unearned premium at December 31, 2007 in the amount of \$14.9 million. This premium will be earned in the first half of 2008.

In the quarter ended December 31, 2007 total underwriting income decreased 82.6% to \$0.6 million, compared to \$3.5 million in the 2006 period. The primary reason for this result is the increase in the loss ratio in the quarter to 65.1% compared to 61.0% in 2006. The increase is primarily attributed to the increase in the Niche Products division loss ratio to 73.4% in the quarter due to adverse loss experience recorded in the emergency travel health line of business. Overall, favourable development of prior years claims continued to be experienced in the last quarter of 2007, as was the case in 2006. As a result of the favourable development, prior year reserves of \$2.0 million and \$2.5 million were released in the final quarter of 2007 and 2006 respectively. Also, although written premiums grew significantly in the fourth quarter of 2007 due to growth in emergency travel health and U.S. reinsurance arrangements, these lines are not yet contributing similar margins as earned in our other core lines of business. As premiums are earned over the next 12 months and as these lines mature, management believes these areas will contribute more to profitability.

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 2007 increased to 98.2% compared with 85.6% for the same period last year. EGI Financial believes that the full year combined ratio is the best measure of the profitability of its underwriting business.

The loss ratio in the quarter ended December 31, 2007 – being net losses incurred expressed as a percentage of net earned premiums – was 65.1%, while the expense ratio – being expenses incurred expressed as a percentage of net earned premiums – was 33.1%. This compares with 61.0% and 24.6% respectively in the same period of 2006. The increase in the loss ratio was due to an increase in net claims expense of \$7.4 million, or 50%, to \$22.2 million compared to \$14.8 million for the fourth quarter of 2006. The increase is primarily attributed to the increase in the Niche Products division loss ratio to 73.4% in the quarter due to adverse loss experience recorded in the emergency travel health line of business. For the year ended December 31, 2007, the loss ratio in this line of business was 94%, while the loss ratio from all other Niche programs in 2007 was 48%, which compares very favourably to the 2006 loss ratio from this business segment of 52.6%.

Investment income in the fourth quarter of 2007 was \$5.1 million compared to \$4.5 million last year, an increase of 13.3%. EGI's investment portfolio reflected a \$57.3 million, or 25.6%, increase in fair value as at December 31, 2007, compared to December 31, 2006.

EGI does not currently hold any non-bank asset backed commercial paper (ABCP) in its investment portfolio.

Net income was \$3.7 million for the three months ended December 31, 2007, a 28.3% decrease from \$5.2 million in the fourth quarter of 2006. The decrease in net income was primarily related to the increased loss ratio as described above and an increase in net acquisition costs of \$3.8 million, or 103% to \$7.5 million in the quarter ended December 31, 2007, compared to \$3.7 million in the same period in 2006. Fully diluted earnings per share were \$0.35 in the fourth quarter of 2007, compared to \$0.51 for the fourth quarter of 2006, a decrease of 31.4%. The annualized return on equity on a last-twelve-months basis is 16.1%.

Q4 2007 Personal Lines division performance:

- Net earned premiums increased 20.3% to \$24.9 million
- Income before taxes decreased 40.5% to \$2.2 million*
- Combined ratio of 91.6% compared with 82.2% for the 2006 period*

Q4 2007 Niche Products division performance:

- Net earned premiums increased 165.9%, to \$9.2 million
- Income before taxes decreased to a loss of \$1.0 million from a break even position*
- Combined ratio of 110.5% compared with 101.2% for the 2006 period*

* Note that, due to the reallocation of overhead expenses to the Niche Products division in 2007, income before taxes in the Personal Lines division was positively impacted by \$0.1 million, with a corresponding negative impact on the Niche Products division. Corporate expenses of \$0.1 million were not allocated to the divisions in the fourth quarter.

For the year ended December 31, 2007, EGI Financial generated direct written premiums totaling \$157.9 million, 34.0% above the \$117.8 million level in the corresponding period last year. As indicated in the Company's third quarter Management's Discussion and Analysis, EGI's new business initiatives have resulted in a significant increase in premiums despite competitive market conditions in Ontario non-standard auto business.

Net written and assumed premiums increased 38.1% to \$146.5 million. As noted in Q4, the incremental growth above that of written premiums was primarily attributable to the new business lines and more effective utilization of the Company's capital, through greater retention of risk. Net earned premiums rose 15.1% in 2007 to \$119.6 million from \$103.9 million. This increase is lower than the percentage increase in premiums written due to the significant amount of emergency travel health insurance premium written in the last quarter of 2007 but unearned as at December 31, 2007. This unearned premium of \$14.9 million will earn in the first half of 2008.

In the year ended December 31, 2007 total underwriting income decreased 31.2% to \$10.0 million, compared to \$14.5 million in 2006. The decrease was attributable to a higher loss ratio and the fact that the comparable period in 2006 comprised one of the most robust periods on record within the Canadian P&C Insurance Industry.

The combined ratio for the year ended December 31, 2007 was 91.7% compared with 86.0% for the same period last year. The loss ratio in the 2007 period was 59.5% and the expense ratio was 32.2%. This compares with 57.2% and 28.8% respectively in the same period last year.

Investment income for the year ended December 31, 2007 was \$12.9 million compared to \$11.0 million for the same period in 2006. As in Q4, the improvement in 2007 is the result of an increase in the investment portfolio on a year-over-year basis.

Net income decreased 11.3%, to \$15.1 million for the year ended December 31, 2007, compared to \$17.0 million for the same period in 2006, due primarily to the increase in the loss ratio in 2007. Fully diluted net income per share, on the same basis, was \$1.45 in the 2007 period, compared to \$1.67 in the same period last year, a decrease of 13.2%.

Year ended December 31, 2007 Personal Lines division performance:

- Net earned premiums increased 5.2% to \$95.7 million
- Income before taxes decreased 28.5% to \$10.8 million*
- Combined ratio of 88.6% compared with 83.4% for the 2006 period*

Year ended December 31, 2007 Niche Products division performance:

- Net earned premiums increased 85.3% to \$23.9 million
- Income before taxes increased 19.4% to \$0.3 million*
- Combined ratio of 98.8% compared with 98.1% for the 2006 period*

* Note that, due to the reallocation of overhead expenses to the Niche Products division in 2007, income before taxes in the Personal Lines division was positively impacted by \$0.7 million, with a corresponding negative impact on the Niche Products division. Corporate expenses of \$0.7 million were not allocated to the divisions in the twelve months ended December 31, 2007.

EGI Financial also announced that its Board of Directors has declared a 20% increase in its dividend to \$0.06 per common share, payable on March 28, 2008 to shareholders of record on March 14, 2008.

For the year ended December 31, 2007 approximately 30% of EGI Financial's revenue was generated within the Niche Products division with the remaining 70% generated within the Personal Lines division. Geographically, EGI's business in 2007 was derived from Ontario (76%), Quebec (9%), Alberta (2%), other jurisdictions in Canada (5%) and United States (8%).

On January 1, 2007 the Company adopted, on a prospective basis, two new accounting standards related to financial instruments, which were issued by the Canadian Institute of Chartered Accountants. The new standards result in the recording of all investments at fair value in the Consolidated Balance Sheet. In addition, cumulative changes in the fair value of investments are reported in Accumulated Other Comprehensive Income (AOCI), a new component of Shareholders' Equity.

Upon adoption of these standards, total assets of EGI increased by \$8.0 million to reflect the adjustment to fair value of investments as at January 1, 2007 previously measured at cost or amortized cost. Also on January 1, 2007, the AOCI was credited an amount of \$5.3 million representing the adjustment to fair value of investments, as noted above, net of income tax. During 2007, Other Comprehensive Losses were incurred totaling \$3.1 million resulting in an AOCI balance of \$2.2 million as at December 31, 2007.

Attributable in part to these changes, total assets at December 31, 2007 were \$370.1 million. The investment portfolio at fair value, including cash and premium finance receipts, increased to \$280.7 million, or \$28.99 per share, compared to \$223.4 million, or \$23.18 per share, a year

earlier. Book value per share was \$10.50 at December 31, 2007 compared with \$8.93 per share as at Dec. 31, 2006 and \$10.39 per share at September 30, 2007.

The annualized ratio of net written premiums in the twelve months ended December 31, 2007 to shareholders' equity was 1.4 times. Echelon's Minimum Capital Test (MCT) margin at December 31, 2007 was 292%, 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 on the Company's web site at: www.egi.ca/financial.html.

"While 2007 represented a more competitive market phase within the Canadian P&C insurance industry compared to 2006, our results were in line with management's expectations," added Mr. McIntyre. "As we look out to 2008 and beyond, we expect to continue producing strong financial results while driving forward with profitable diversification and expansion initiatives."

About EGI Financial

Founded in 1997, EGI Financial operates in the property and casualty insurance industry in Canada and the United States, 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.

Non-GAAP Financial Measures

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.

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 2007 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 22, 2008 at 10:00 a.m. (ET). The call-in numbers for participants are 416-644-3415 or toll free, 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=2166560>

A replay of the call will be available from 12:00 p.m. (ET) on February 22, 2008 until 11:59 p.m. on February 29, 2008. To access the replay, call 416-640-1917 or toll free, 877-289-8525, enter pass code number 21262687, and then press the pound key. The replay can also be accessed over the Internet at the above address.

For further information:

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EGI FINANCIAL HOLDINGS INC.

Unaudited Consolidated Balance Sheets

as at December 31

(in \$ thousands, except share amounts)

Assets	2007	2006
Cash and short-term deposits	22,785	17,153
Investments	238,310	179,383
Reinsurers' share - unearned premiums	3,602	3,831
- provision for unpaid claims	48,461	48,385
Accounts receivable	25,382	22,182
Income taxes recoverable	3,278	572
Due from insurance companies	6,199	3,996
Deferred policy acquisition costs	15,530	7,465
Capital assets	1,250	799
Future income taxes	2,674	4,403
Prepaid expenses and other assets	2,613	270
	<u>370,084</u>	<u>288,439</u>
Liabilities		
Bank indebtedness	19,550	-
Provision for unpaid claims	169,091	146,101
Unearned premiums	69,190	43,154
Unearned commission	291	733
Accounts payable and accrued liabilities	5,444	4,746
Payable to insurance companies	3,894	4,428
Income taxes payable	-	3,151
Other liabilities	953	85
	<u>268,413</u>	<u>202,398</u>
Shareholders' Equity		
Share capital	46,040	45,833
Contributed surplus	247	149
Retained earnings	53,193	40,059
Accumulated other comprehensive income	2,191	-
	<u>101,671</u>	<u>86,041</u>
	<u>370,084</u>	<u>288,439</u>

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

	2007	2006
Revenue:		
Direct written and assumed premiums	<u>157,935</u>	<u>117,834</u>
Net written and assumed premiums	<u>146,511</u>	<u>106,047</u>
Net earned premiums	119,606	103,942
Investment income	<u>12,954</u>	<u>11,034</u>
	<u>132,560</u>	<u>114,976</u>
Expenses		
Incurred claims	71,179	59,503
Acquisition costs	26,143	19,499
Operating costs	12,043	10,431
Interest expense	<u>259</u>	<u>-</u>
	<u>109,624</u>	<u>89,433</u>
Income before income taxes	22,936	25,543
Income tax expense	<u>7,871</u>	<u>8,562</u>
Net income	<u>15,065</u>	<u>16,981</u>
Earnings per share		
Basic net income per share	\$1.56	\$1.76
Diluted net income per share	\$1.45	\$1.67

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

	2007	2006
Share capital		
Balance, beginning of year	45,833	47,660
Common shares issued	207	328
Redemption of Series F special shares	-	(2,155)
Balance, end of year	<u>46,040</u>	<u>45,833</u>
Contributed surplus		
Balance, beginning of year	149	80
Stock options – granted	123	97
– exercised	(25)	(28)
Balance, end of year	<u>247</u>	<u>149</u>
Retained earnings		
Balance, beginning of year	40,059	24,845
Net income	15,065	16,981
Dividends – Series F special shares	-	(229)
– Common shares	(1,931)	(1,538)
Balance, end of year	<u>53,193</u>	<u>40,059</u>
Accumulated other comprehensive income		
Balance beginning of year	-	
Transition adjustment – financial instruments, net of income taxes of \$2,723	5,301	
Other comprehensive loss	(3,110)	
Balance, end of year	<u>2,191</u>	
Shareholders' equity, end of year	<u>101,671</u>	<u>86,041</u>
Comprehensive income		
Net income	15,065	
Other comprehensive loss, net of taxes		
Net unrealized losses on available-for-sale securities	(957)	
Reclassification of net realized gains to net income	(2,153)	
Other comprehensive loss	<u>(3,110)</u>	
Total comprehensive income	<u>11,955</u>	

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

	2007	2006
Cash provided by (used in):		
Operating activities		
Net income	15,065	16,981
Items not involving cash		
Amortization of capital assets	406	433
Amortization of premium on bonds	368	386
Realized gains on investments	(3,195)	(3,489)
Other	123	97
	<u>12,767</u>	<u>14,408</u>
Cash flow from changes in		
Reinsurers' share of unearned premiums	229	(1,070)
Reinsurers' share of unpaid claims	(76)	5,658
Accounts receivable	(3,200)	89
Income taxes recoverable	(2,706)	(299)
Due from insurance companies	(2,203)	(1,492)
Accounts payable and accrued liabilities	590	(3,300)
Provision for unpaid claims	22,990	16,928
Unearned premiums	26,036	3,181
Income taxes payable	(3,151)	(2,557)
Future income taxes	(58)	(1,270)
Prepaid expenses and other assets	(2,343)	(8)
Deferred policy acquisition costs	(8,065)	(1,176)
	<u>40,810</u>	<u>29,092</u>
Financing activities		
Increase in bank indebtedness	19,550	-
Issue of common shares	182	300
Series F special share dividends	-	(229)
Redemption of Series F special shares	-	(2,155)
Common share dividends	(1,931)	(1,538)
	<u>17,801</u>	<u>(3,622)</u>
Investing activities		
Purchase of capital assets	(857)	(672)
Purchase of investments	(256,245)	(193,256)
Sale/maturity of investments	204,123	169,712
	<u>(52,979)</u>	<u>(24,216)</u>
Increase in cash and short-term deposits	5,632	1,254
Cash and short-term deposits, beginning of year	<u>17,153</u>	<u>15,899</u>
Cash and short-term deposits, end of year	<u><u>22,785</u></u>	<u><u>17,153</u></u>
Supplementary information		
Income taxes paid	13,095	12,713
Interest paid	196	-