



EGI Financial Reports Q1 2009 Results

Tough Operating Environment Impacts Seasonally Slow Quarter

TORONTO, May 7, 2009 - EGI Financial Holdings Inc. (TSX: EFH) today announced its results for the first quarter ended March 31, 2009.

“Despite our extensive re-engineering of the Niche Products division’s Emergency Travel Health (ETH) program and an encouraging start to the 2008/2009 travel season in the fourth quarter of 2008, first quarter 2009 results failed to meet our expectations. Adverse loss experience from this line of business, although measurably better than 2008, depressed our Niche Products division’s results”, said Douglas McIntyre, Chief Executive Officer of EGI Financial. “With the bulk of EGI’s current exposure limited to the second quarter, due to the peak travel period for policyholders in the winter months, the next quarter will determine what further remedial action may be necessary. While we continue to experience growing pains with the ETH offering, we remain encouraged with our seasoned Personal Lines and other Niche Products programs which continued to perform in line with expectations, generating attractive loss ratios of 70.1% and 55.1% respectively in the quarter.”

| \$000s | 3 months ended March 31, 2009 | 3 months ended March 31, 2008 | % Change |
|--|----------------------------------|----------------------------------|----------|
| Direct written and assumed premiums | \$31,616 | \$34,936 | (9.5%) |
| Net written and assumed premiums | 29,058 | 32,422 | (10.4%) |
| Net earned premiums | 41,573 | 45,559 | (8.7%) |
| Underwriting loss | (1,872) | (397) | - |
| Investment income | 1,874 | 4,587 | (59.1%) |
| Net income (loss) | (230) | 2,586 | (108.9%) |
| Net income (loss) per diluted share | (0.02) | 0.25 | (108%) |
| Book value | 10.21 | 10.74 | (4.9%) |
| Net operating income | \$818 | \$1,793 | (54.4%) |
| Net operating income per diluted share | \$0.07 | \$0.17 | (58.8%) |

First Quarter Highlights

Net operating income, defined as net income plus/minus after-tax realized losses/gains on investments, including ‘other than temporary’ impairments, was \$0.8 million or \$0.07 per share on a diluted basis for the first quarter of 2009. This compares to net operating income of \$1.8 million or \$0.17 per share for the same period in 2008.

| | Q1 2009 | Q1 2008 | Change |
|--|----------------|----------------|---------------|
| Net income (loss) | \$(230) | \$ 2,586 | (108.9%) |
| Add losses (deduct gains) from sales of investments | 1,564 | (1,183) | (232.2%) |
| Tax impact | (516) | 390 | 232.3% |
| Net operating income | \$ 818 | \$ 1,793 | (54.4%) |
| Net operating income per share – diluted | \$0.07 | \$0.17 | (58.8%) |
| Net operating income Per share – basic | \$0.07 | \$0.18 | (61.1%) |

In the first quarter of 2009, EGI Financial generated direct written and assumed premiums totaling \$31.6 million, 9.5% below the \$34.9 million recorded in the first quarter of 2008. The primary reasons for this decrease were lower ETH premiums and the termination of U.S. assumed reinsurance contracts effective December 31, 2008. Only one reinsurance contract remained in-force in the first quarter of 2009, which was cancelled effective March 31, 2009. Premiums will continue to be earned pursuant to these arrangements in 2009, from policies issued in 2008; however, no further contracts will be written in 2009. As a result, assumed premiums in the International division declined by \$3.7 million compared to the first quarter of 2008.

Personal Lines direct written premiums increased \$0.5 million to \$23.0 million in the first quarter of 2009 compared to \$22.5 million in the first quarter of 2008. Despite ongoing competitive conditions in the market, non-standard auto premiums increased to \$20.3 million, an increase of \$0.4 million or 2% compared to \$19.9 million in the first three months of 2008. Motorcycle direct written premiums increased to \$2.5 million compared to \$2.4 million in the first quarter of 2008, this growth being primarily derived from our exclusive arrangement with an Ontario based motorcycle insurance broker. Direct written premiums for the Niche Products division decreased slightly to \$8.7 million for the three months ended March 31, 2009, compared to \$8.8 million in the same period in 2008. The decrease is attributable to the decline in ETH written premiums to \$0.9 million in the first quarter of 2009 compared to \$2.6 million in 2008. As noted in earlier reports, the decline in ETH premiums was anticipated by EGI due to premium rate increases and more restrictive underwriting criteria implemented for the 2008–09 travel season.

Net written and assumed premiums decreased \$3.3 million, or 10.4%, to \$29.1 million compared to \$32.4 in the same period last year. This decrease is consistent with the decrease in direct written and assumed premiums in the period compared to 2008.

Net earned premiums for the three months ended March 31, 2009, totaled \$41.6 million, a decrease of \$4.0 million, or 8.7%, compared to \$45.6 million in the first three months of 2008. The decrease is primarily attributable to the previously noted decline in ETH written premiums in the last quarter of 2008 and first quarter of 2009, which resulted in less earned premium in the first quarter of 2009 compared to the first quarter of 2008. ETH business is seasonal in nature, and primarily earned during the winter months, resulting in a relatively low amount of unearned premiums remaining from this line of business, to be earned in the remainder of 2009.

The significant decline in written premiums from the International division, due to cancellation of U.S. reinsurance treaties effective December 31, 2008, has not yet had a negative impact on earned premiums as premiums will continue to be earned during 2009 from policies issued in 2008. As these policies expire during 2009, earned premiums on assumed business in this division will also decline.

The decline in underwriting income in the first quarter of 2009 was primarily the result of increases in the loss ratios of each of our divisions compared to the same period in 2008. Influencing this result was the decrease in the total positive development of prior year claims to \$1.4 million in the first quarter of 2009 compared to positive development of \$3.2 million in the same period in 2008.

The combined ratio for the first quarter of 2009 increased to 104.5% compared with 100.8% 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 March 31, 2009 was 71.9% while the expense ratio was 32.6%. This compares with 68.4% and 32.4% respectively in the same period of 2008. The Personal Lines division loss ratio increased nominally to 70.1% compared to 68.8% in the first quarter of 2008. The increase is primarily attributable to the severe winter driving conditions experienced in the first quarter of 2009 and a slight decrease in the positive development of prior year claims compared to the same period in 2008. Positive development of prior year claims in the first quarter of 2009 for this division was \$1.5 million compared to \$1.6 million last year. The 2009 loss ratio, despite the tough operating conditions in the quarter, continues to produce underwriting gains for this well established division. The Niche Products division incurred a loss ratio of 71.1% in the first three months of 2009 compared to 66.7% in the same period in 2008. Underwriting losses related to the Emergency Travel Health (ETH) line of business have decreased modestly compared to 2008. However, adverse loss experience from this line of business continues to be the primary reason for the underwriting loss incurred by the division.

The increase in the above mentioned Niche Products division loss ratio was the result of adverse loss experience in the ETH line of business resulting in a loss ratio of 89.6%. All other programs in the Niche Products division experienced a loss ratio of 55.1% in the first quarter of 2009 compared to a loss ratio of 36.6% for these programs in the first quarter of 2008. It should be noted that the 2008 loss ratio on Niche programs, excluding ETH, was low as a result of positive development of prior year claims in that period.

The underwriting loss incurred in the International division of \$0.7 million is the result of adverse claims development, primarily related to the run-off of reinsurance assumed treaties with U.S. non standard auto reinsurers, the largest of which was cancelled effective December 31, 2008. The remaining contract was cancelled effective March 31, 2009. As this discontinued business runs off, the future impact on EGI's financial results of these contracts is expected to be significantly reduced.

Investment income for the three months ended March 31, 2009 was \$1.9 million compared to \$4.6 million for the same period in 2008. Income from interest and dividends, after deducting investment expenses, decreased to \$3.0 million compared to \$3.2 million in the same period last year, due to lower yields earned on the bond portfolio. Net realized losses on the sale of investments were \$1.6 million in the first three months of 2009 compared to net gains of \$1.2 million in the same period in 2008. Net realized losses, in the first three months of 2009, include an investment impairment provision recorded of \$2.0 million on specific investments considered to be other than temporarily impaired. No investment impairments were recorded in the first quarter of 2008.

EGI's investment portfolio, including finance receivables, based on fair values, increased to \$283.1 million, or 8%, compared to total fair values of \$262.2 million as at March 31, 2008. The increase was primarily due to funds raised of \$20.8 million pursuant to EGI's rights offering in July 2008.

EGI has minimal exposure to non-bank asset backed commercial paper (ABCP) in its investment portfolio.

For the quarter ended March 31, 2009, the net loss before income taxes was \$0.3 million compared to net income of \$3.9 million for the first quarter of 2008, resulting from a higher combined ratio of 104.5%, compared to 100.8% for the same period in 2008, and the above mentioned investment losses and impairments compared to the gains in the prior 2008 period. The significant decline in the performance of the Company's investment portfolio was a significant factor in the fully diluted loss per share of \$0.02 in the first quarter of 2009, compared to earnings of \$0.25 per share for the first quarter of 2008. Also negatively impacted was the annualized return on equity on a last-twelve-months basis which fell to 2.8%, from 15.3% as of March 31, 2008, and 5.4% as of the end of 2008.

Q1 2009 Personal Lines division performance:

- Net earned premiums increased to \$25.2 million from \$23.1 million in 2008
- Underwriting income decreased to \$0.4 million from \$0.8 million in 2008*
- Combined ratio of 98.4% compared with 96.3% for the 2008 period

Q1 2009 Niche Products division performance:

- Net earned premiums decreased to \$13.5 million from \$19.7 million in 2008
- Underwriting loss increased to \$1.2 million from a loss of \$0.7 million in 2008*
- Combined ratio of 109.4% compared with 103.4% for the 2008 period

Q1 2009 International division performance:

- Net earned premiums increased to \$2.9 million from \$2.8 million in 2008
- Underwriting loss increased to \$0.7 million from a loss of \$0.3 million in 2008*
- Combined ratio of 125.9% compared with 109.9% for the 2008 period

*Note: The underwriting income for 2009 and 2008 was net of \$0.3 million of corporate and other expenses, for each period, which have not been allocated by division.

For the quarter ended March 31, 2009, approximately 32% of EGI Financial's revenue was generated within the Niche Products division, 7% within the International division and the remaining 61% generated within the Personal Lines division. Geographically, EGI's business in 2009 was derived from Ontario (68%), Quebec (12%), Alberta (3%), British Columbia (6%), other jurisdictions in Canada (4%) and United States (7%).

“With Ontario automobile insurance market loss ratios deteriorating rapidly, we expect the erosion of standard line insurers' margins will force them to increase rates and tighten their underwriting through 2009 and 2010. This market firming will, we anticipate, create expanded growth opportunities for non-standard automobile carriers. As we move into a hardening market, EGI remains favourably positioned, relative to its competitors, to exploit growth opportunities as they arise” added Mr. McIntyre. “With past average auto insurance rate increases in Ontario being insufficient to keep ahead of the industry's ballooning Accident Benefit loss ratios, EGI's management believes that retrenchment in the near-term, on the part of standard insurers, is inevitable. While implementing these actions has taken longer than many expected, tightening of underwriting rates and rules by standard companies will create a significant opportunity for a non-standard auto insurer such as EGI. Our senior management team is focused on preparing our operations to handle the expected enhanced business flow, while maintaining our underwriting and service standards.”

The annualized ratio of net written premiums to shareholders' equity for the quarter ended March 31, 2009 was 1.3 times compared to 1.4 times at March 31, 2008. This level of leverage continues to be well below the 2.5:1 ratio which management feels is fully leveraged capital. Echelon's Minimum Capital Test (MCT) margin at March 31, 2009 was 314%, providing EGI Financial with the financial strength to grow its business utilizing its current resources.

EGI Financial also announced that approval was received in April 2009 from the Florida Office of Insurance Regulation, permitting Echelon Insurance Company of America (“EICA”) to become an authorized domestic insurer in the state of Florida, with authority to write Private Passenger Automobile Liability and Private Passenger Auto Physical Damage lines of insurance in that state. In preparation for the issuance by Florida of a Certificate of Authority for EICA, EGI's wholly-owned U.S. subsidiary EGI Insurance Services, Inc. will be funding the initial capitalization of US\$10 million required for its newly formed Florida subsidiary.

Anticipating the near-term launch of its U.S.-based insurance carrier, EGI's Board of Directors has decided not to declare a dividend on EGI's common shares. In the past, dividends had been paid while acquisitions and other growth opportunities were being explored. EGI intends to direct its current financial resources and future earnings to building on its existing base in Canada, the development of EICA and to broadening its footprint in the U.S. non-standard auto marketplace.

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

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 2009 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 on Friday May 8, 2009 at 10:00 a.m. (ET). The call-in numbers for participants are (416) 644-3414 or toll free, (800) 733-7571. A live audio feed of the call will be broadcast on the internet through the Company's website at www.egi.ca, or directly at:

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=2599520>.

A replay of the call will be available from 12:00 p.m. (ET) on May 8, 2009 until 11:59 p.m. on May 15, 2009. To access the replay, call (416) 640-1917 or toll free, (877) 289-8525, enter pass code number 21301937. The replay can also be accessed over the Internet at the above address.

For further information:

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EGI FINANCIAL HOLDINGS INC.

Consolidated Balance Sheets

(unaudited, in \$ thousands)

| Assets | March 31 2009 | December 31 2008 |
|---|--------------------------|-----------------------------|
| Cash and short-term deposits | \$ 27,805 | \$ 29,111 |
| Investments (note 3) | 263,759 | 259,774 |
| Reinsurers' share – unearned premiums | 4,129 | 3,712 |
| – provision for unpaid claims (note 4) | 41,316 | 41,901 |
| Accounts receivable | 24,657 | 27,565 |
| Income taxes recoverable | 8,379 | 7,202 |
| Due from insurance companies | 7,603 | 9,063 |
| Deferred policy acquisition costs | 11,741 | 14,703 |
| Property and equipment | 900 | 1,182 |
| Intangible assets | 1,444 | 1,190 |
| Future income taxes | 2,842 | 3,172 |
| Prepaid expenses and other assets | 3,557 | 4,205 |
| | <u>\$398,132</u> | <u>\$402,780</u> |
| Liabilities | | |
| Bank indebtedness (note 8) | \$ 19,550 | \$ 19,550 |
| Provision for unpaid claims (note 4) | 192,886 | 185,255 |
| Unearned premiums | 59,231 | 71,154 |
| Unearned commission | 314 | 363 |
| Income Taxes payable | - | 429 |
| Accounts payable and accrued liabilities | 4,369 | 4,291 |
| Payable to insurance companies | 1,962 | 2,460 |
| Other liabilities | 234 | 674 |
| | <u>278,546</u> | <u>284,176</u> |
| Shareholders' Equity | | |
| Share capital (note 7) | 67,221 | 67,056 |
| Contributed surplus | 433 | 403 |
| Retained earnings | 55,556 | 56,605 |
| Accumulated other comprehensive (loss) income | (3,624) | (5,460) |
| | <u>119,586</u> | <u>118,604</u> |
| | <u>\$398,132</u> | <u>\$402,780</u> |

EGI FINANCIAL HOLDINGS INC.
Consolidated Statements of Income
for the Quarters ended March 31
(unaudited, in \$ thousands, except per share amounts)

| | 2009 | 2008 |
|---------------------------------------|-----------------|-----------------|
| Revenue | | |
| Direct written and assumed premiums | \$31,616 | \$34,936 |
| Net written and assumed premiums | <u>29,058</u> | <u>32,422</u> |
| Net earned premiums | 41,573 | 45,559 |
| Investment income (note 3) | <u>1,874</u> | <u>4,587</u> |
| | 43,447 | 50,146 |
| Expenses | | |
| Incurred claims | 29,890 | 31,163 |
| Acquisition costs | 9,960 | 11,588 |
| Operating costs | 3,595 | 3,205 |
| Interest expense | 299 | 302 |
| | <u>43,744</u> | <u>46,258</u> |
| Income (loss) before income taxes | (297) | 3,888 |
| Income tax expense (recovery) | <u>(67)</u> | <u>1,302</u> |
| Net income (loss) | <u>\$ (230)</u> | <u>\$ 2,586</u> |
| Earnings per share (note 9) | | |
| Net income (loss) per share – basic | \$ (0.02) | \$ 0.27 |
| Net income (loss) per share – diluted | \$ (0.02) | \$ 0.25 |

EGI FINANCIAL HOLDINGS INC.
Consolidated Statements of Changes in Shareholders' Equity
and Comprehensive Income
for the Quarters ended March 31
(unaudited, in \$ thousands)

| | 2009 | 2008 |
|--|------------------|------------------|
| Share capital | | |
| Balance, beginning of period | \$ 67,056 | \$ 46,040 |
| Common shares issued | 165 | 130 |
| Balance, end of period | <u>67,221</u> | <u>46,170</u> |
| Contributed surplus | | |
| Balance, beginning of period | 403 | 247 |
| Stock options – granted | 50 | 43 |
| – exercised | <u>(20)</u> | <u>(16)</u> |
| Balance, end of period | <u>433</u> | <u>274</u> |
| Retained earnings | | |
| Balance, beginning of period | 56,605 | 53,193 |
| Net income (loss) | (230) | 2,586 |
| Dividends – Common shares | <u>(819)</u> | <u>(582)</u> |
| Balance, end of period | <u>55,556</u> | <u>55,197</u> |
| Accumulated other comprehensive (loss) income | | |
| Balance beginning of period | (5,460) | 2,191 |
| Other comprehensive income | <u>1,836</u> | <u>478</u> |
| Balance, end of period | <u>(3,624)</u> | <u>2,669</u> |
| Shareholders' equity, end of period | <u>\$119,586</u> | <u>\$104,310</u> |
| Comprehensive income | | |
| Net income (loss) | (230) | 2,586 |
| Other comprehensive income, net of taxes | | |
| Change in unrealized gains on available-for-sale securities: | | |
| Net unrealized gains on available-for-sale securities | 550 | 991 |
| Reclassification of net realized (gains) losses to net income | 1,321 | (786) |
| Unrealized gains (losses) on translation of financial statements of self-sustaining foreign operations | <u>(35)</u> | <u>273</u> |
| Other comprehensive income | <u>1,836</u> | <u>478</u> |
| Total comprehensive income | <u>\$ 1,606</u> | <u>\$ 3,064</u> |

EGI FINANCIAL HOLDINGS INC.
Consolidated Statements of Cash Flows
for the Quarters ended March 31
(unaudited, in \$ thousands)

| | 2009 | 2008 |
|---|-----------------|------------------|
| Cash provided by (used in) | | |
| Operating activities: | | |
| Net income (loss) | \$ (230) | \$ 2,586 |
| Items not involving cash | | |
| Amortization of fixed assets | 223 | 139 |
| Amortization of premiums on bonds | 101 | 82 |
| Realized losses (gains) on investments | 1,565 | (1,183) |
| | <u>1,659</u> | <u>1,624</u> |
| Net change in other non-cash balances | <u>483</u> | <u>(60)</u> |
| | <u>2,142</u> | <u>1,564</u> |
| Financing activities | | |
| Issue of common shares | 146 | 114 |
| Common share dividends | (819) | (582) |
| | <u>(673)</u> | <u>(468)</u> |
| Investing activities: | | |
| Purchase of fixed assets | (195) | (307) |
| Purchase of investments | (42,176) | (61,118) |
| Sale/maturity of investments | 39,596 | 57,760 |
| | <u>(2,775)</u> | <u>(3,665)</u> |
| Decrease in cash and short-term deposits | \$(1,306) | \$ (2,569) |
| Cash and short-term deposits, beginning of period | <u>29,111</u> | <u>22,785</u> |
| Cash and short-term deposits, end of period | <u>\$27,805</u> | <u>\$ 20,216</u> |
| Supplementary information | | |
| Income taxes paid | \$ 1,834 | \$ 4,327 |
| Interest paid | \$ 302 | \$ 302 |