

EGI Financial Reports Q2 2009 Results

Net Operating Income Up 60% and Investment Income Up 27% in Q2

TORONTO, August 10, 2009 - EGI Financial Holdings Inc. (“EGI”) (TSX: EFH) today announced its results for the second quarter ended June 30, 2009.

2009 Second Quarter Highlights:

- Net operating income increased 60.0% to \$2.7 million from \$1.7 million in Q2 2008
- Book value per share increased 4.4% to \$10.98 from \$10.52 in Q2 2008
- Investment income increased 27.5% to \$6.0 million from \$4.7 million in Q2 2008

“Our Niche Products division delivered solid performance during the second quarter of 2009 with increases in both net earned premiums and underwriting income, compared with the second quarter of 2008,” said Douglas McIntyre, Chief Executive Officer of EGI Financial. “A significantly improved loss ratio in our Emergency Travel Health (ETH) line of business contributed to the Niche Products division’s increased underwriting income during the quarter. We believe that the changes we have made to product design and pricing have had the desired effect, improving the profitability of the ETH program. In the International division, our gradual entry into the U.S. market continues, as we move closer to launching our wholly-owned U.S. subsidiary, Echelon Insurance Company of America. We expect our authorized domestic insurer in the state of Florida to begin issuing policies during the third quarter of 2009.”

“From an industry standpoint, we believe the worsening loss ratios in the Ontario automobile insurance market will continue to erode the margins of standard insurers, leading to rate increases and a tightening of underwriting selectivity,” continued Mr. McIntyre. “In this type of hardening market, we expect to see new business flow to non-standard insurers such as EGI. In addition to this anticipated increase in new business, EGI recently received approval for a 6.4% rate increase for Ontario private passenger policies, which should contribute to improved margins in this line of business. Our management team remains focused on capitalizing on organic growth opportunities and we have the financial and staffing capacity necessary to handle increased business flow, while maintaining the discipline needed to achieve our underwriting standards.”

Financial Summary

\$000s (except per share amounts)	3 months ended June 30, 2009	3 months ended June 30, 2008 (Restated)	% Change	6 months ended June 30, 2009	6 months ended June 30, 2008 (Restated)	% Change
Direct written and assumed premiums	\$48,487	\$49,784	(2.6)	\$80,103	\$84,720	(5.4)
Net written and assumed premiums	44,121	45,975	(4.0)	73,179	78,397	(6.7)
Net earned premiums	35,486	35,999	(1.4)	77,059	81,558	(5.7)
Underwriting income (loss)	1,703	22	-	(169)	(2,243)	92.5
Investment income	6,017	4,718	27.5	7,891	9,305	(15.1)
Net income	4,831	3,019	60.0	4,601	4,344	5.9
Net income per diluted share	0.38	0.28	35.7	0.36	0.41	(12.2)
Book value per share	10.98	10.52	4.4	10.98	10.52	4.4
Net operating income	\$2,659	\$1,658	60.0	3,477	2,191	58.7
Net operating income per diluted share	\$0.21	\$0.16	31.3	0.28	0.21	33.3

(2008 periods were restated as a result of a change in the Company's accounting policy relating to reserves for its motorcycle business.)

Second Quarter Highlights

Net operating income, defined as net income excluding after-tax realized losses/gains on investments, including 'other than temporary' impairments, was \$2.7 million or \$0.21 per share on a diluted basis for the second quarter of 2009. This compares to net operating income of \$1.7 million or \$0.16 per share for the same period in 2008.

In the second quarter of 2009, EGI Financial generated direct written and assumed premiums totaling \$48.5 million, 2.6% below the \$49.8 million recorded in the second quarter of 2008. The primary reasons for this decrease were the termination of U.S. assumed reinsurance contracts effective December 31, 2008 and March 31, 2009 and the planned reduction in premium volume for the ETH business. Premiums will continue to be earned on the U.S. assumed reinsurance business pursuant to these contracts 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 \$3.0 million compared to the second quarter of 2008.

Personal Lines direct written premiums decreased \$0.3 million to \$35.8 million in the second quarter of 2009 compared to \$36.1 million in the second quarter of 2008. Despite ongoing competitive conditions in the market, non-standard auto premiums increased to \$26.5 million, an increase of 2.7% compared to \$25.8 million in the second quarter of 2008. Motorcycle direct written premiums decreased to \$8.5 million compared to \$9.8 million in the second quarter of 2008, due to a reduction in the number of policies written as the result of rate increases

implemented to improve the underwriting performance of this product. Direct written premiums for the Niche Products division increased to \$13.2 million for the three months ended June 30, 2009, compared to \$11.2 million in the same period in 2008, despite the reduction in ETH premium. The growth in this business is reflective of EGI's continued strategy to develop niche products at a consistent, controlled rate.

Net written and assumed premiums decreased by 4.0% to \$44.1 million compared to \$46.0 in the same period last year. This decrease is slightly higher than the decrease in direct written premium, due to a change in the mix of business in 2009.

Net earned premiums for the three months ended June 30, 2009, totaled \$35.5 million, a decrease of 1.4%, compared to \$36.0 million in the first three months of 2008. The decrease is primarily attributable to the previously noted cancellation of U.S. assumed reinsurance contracts, which will expire in 2009 and as a result earned premiums from this source will decline on a quarterly basis for the remainder of 2009. No premiums will be earned from this business in 2010.

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.

Underwriting income of \$1.7 million was recorded in the second quarter of 2009, compared with breakeven operating income during the same period in 2008, reflecting the result of significant improvement from our Niche Products division, which earned underwriting income of \$1.0 million during the second quarter of 2009, compared with a loss of \$3.7 million during the comparable period in 2008. The Personal Lines division recorded underwriting income of \$2.6 million for the three months ended June 30, 2009, compared with \$5.0 million for the comparable period in 2008. The International division incurred an underwriting loss of \$1.4 million during the second quarter of 2009, compared with a loss of \$0.8 million during the second quarter of 2008.

During the second quarter of 2009, the loss ratio for the Niche Products division was 47.2% compared to 97.0% for the same period in 2008. The loss ratio for the Personal Lines division during the three months ended June 30, 2009 increased to 61.4% compared to 52.0% during the second quarter of 2008.

The combined ratio for the second quarter of 2009 for all lines of business decreased to 95.2% compared with 99.9% for the same period last year. Combined ratio for Personal Lines division was 89.7% for the second quarter in 2009 compared to 79.8% for the same period last year and Niche Products division combined ratio for this quarter was 88.6% compared to 143% 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.

In the second quarter of 2009, EGI recorded total positive development of \$0.8 million related to prior year claims reserves, compared with \$0.3 million for the same period in the prior year.

Investment income for the three months ended June 30, 2009 increased to \$6.0 million, compared to \$4.7 million for the same period in 2008. The increase in investment income was due primarily to the realization of gains of \$3.2 million on the sale of investments in the second quarter of 2009, compared with net gains of \$2.0 million in the same period in 2008. No impairment provisions were recorded during the second quarter of 2009.

EGI's investment portfolio, including finance receivables, based on fair values, increased to \$276.2 million compared to total fair values of \$267.9 million as at June 30, 2008.

For the quarter ended June 30, 2009, the net income before income taxes was \$7.4 million, compared to \$4.4 million for the second quarter of 2008. The increase resulted from a lower combined ratio of 95.2%, compared to 99.9% for the same period in 2008, as well as the above mentioned investment gains, compared to the lower level of gains realized in the prior 2008 period. The improvement in the performance of the Company's investment portfolio was a factor in the improved earnings per share, of \$0.38 in the second quarter of 2009, compared to earnings of \$0.28 per share for the second quarter of 2008.

For the quarter ended June 30, 2009, approximately 25% of EGI Financial's revenue was generated within the Niche Products division, 5% within the International division and the remaining 70% generated within the Personal Lines division. Geographically, EGI's business in 2009 was derived from Ontario 69%, Quebec 14%, Alberta 3%, British Columbia 5%, other jurisdictions in Canada 4% and United States 5%.

Six Month Highlights

Net operating income, defined as net income excluding after-tax realized losses or gains, including impairments, on the sale of investments, was \$3.5 million or \$0.28 per share on a diluted basis for the first six months of 2009. This compares to net operating income of \$2.2 million or \$0.21 per share for the same period in 2008.

For the six months ended June 30, 2009, direct and assumed written premiums totaled \$80.1 million, a decrease of 5.4% compared to \$84.7 million for the first half of 2008. Direct written premiums from Personal Lines totaled \$58.8 million in the first half of 2009 which represents a 0.3% increase compared to \$58.6 million written in the same period in 2008. Non-standard auto recorded growth of 2.7% to \$46.8 million, offset by a decline in the motorcycle line of 10.2% compared to the same period in 2008. The decline in the motorcycle line is due to premium rate increases implemented during the first half of 2009, resulting in a reduction in the number of policies written. The Niche Products division recorded written premiums of \$21.9 million in the first six months of 2009 compared to \$20.0 million for the same period of 2008 for a growth rate of 9.5%.

As noted earlier, in the International division, assumed reinsurance contracts in place in 2008 have been cancelled and minimal premiums have been written in the first half of 2009, compared with \$6.1 million for the same period in 2008.

Net written and assumed premiums decreased 6.7% to \$73.2 million compared to \$78.4 million 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.

In the six month period ended June 30, 2009 total underwriting contribution increased \$2.0 million to an underwriting loss of \$0.2 million, compared to an underwriting loss of \$2.2 million for the comparable period in 2008.

The combined ratio for the six month period in 2009 for all lines decreased to 100.2% compared with 102.8% for the same period last year. Combined ratio for Personal Lines division was 94.0% for the six months period in 2009 compared to 91.8% for the same period last year and the Niche Products division combined ratio for this period was 101.2% compared to 115.6% for the same period last year.

The loss ratio for the six month 2009 period was 67.2% and the expense ratio was 33.0%. This compares with 69.8% and 33.0% respectively in the same period last year.

Investment income for the six months ended June 30, 2009 was \$7.9 million compared to \$9.3 million for the same period in 2008. The decrease in investment income was primarily due to the decline in net realized gains on the sale of investments, which totaled \$1.7 million in the first half of 2009, compared with \$3.2 million in the same period in 2008.

Net income increased 5.9% to \$4.6 million for the six months ended June 30, 2009, compared to \$4.3 million for the same period in 2008. The increase was primarily attributable to a reduced underwriting loss during the first six months of 2009, stemming largely from improved performance in the Niche Products division. The improvement was the result of a significant turnaround in the results of the ETH business compared to 2008.

The annualized ratio of net written premiums to shareholders' equity for the six months ended June 30, 2009 was 1.2 times compared to 1.5 times at June 30, 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 June 30, 2009 was 321%, 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 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 may not 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 Monday, August 10, 2009 at 2:00 p.m. (ET). The call-in numbers for participants are 416-644-3419 or toll free, 800-732-0232. 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=2745380>

A replay of the call will be available from 4:00 p.m. (ET) on August 10, 2009 until 11:59 p.m. on August 17, 2009. To access the replay, call 416-640-1917 or toll free, 877-289-8525, enter pass code number 21311359. The replay can also be accessed over the Internet at the above address.

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