



EGI Financial Reports 2009 Fourth Quarter and Year-End Results

TORONTO, February 22, 2010 - EGI Financial Holdings Inc. ("EGI Financial") (TSX: EFH) today announced its results for the fourth quarter and year ended December 31, 2009.

2009 Financial Highlights:

- Revenue of \$167.1 million, compared to \$167.3 million in 2008
- Net income after taxes of \$4.5 million, compared to \$6.0 million in 2008
- Net income per fully diluted share decreased to \$0.36 from \$0.53 in 2008
- Book value per share at December 31st increased to \$11.12 from \$10.16 in 2008
- Investment income increased to \$17.8 million from \$10.0 million in 2008
- Total fair value of investment portfolio at December 31st increased to \$368.2 million, from \$309.5 million in 2008

"We are pleased to report a profitable 2009, despite facing some of the most challenging economic and industry conditions in recent memory," said Douglas McIntyre, Chief Executive Officer of EGI Financial. "Our industry has faced a protracted soft market in recent years. Throughout this period we have preserved our capital and focused, where possible, on profitable lines of business in order to position ourselves to capitalize on the eventual turn of the market cycle. While it has taken longer than we expected to occur, we began to see signs of a hardening market toward the end of 2009, as our core Personal Lines division reported a 25% increase in premium volumes in the fourth quarter."

"We remain focused on driving profitable business growth by building on our strengths. We have a solid financial position, disciplined operating model, and highly experienced team, which was strengthened during the year with the addition of President and COO, Steve Dobronyi. While the launch of our U.S. subsidiary has been delayed by the slow pace of the regulatory process, we have a proven management team and operational underwriting, claims and administration infrastructure in place. We expect this to be an area of tremendous opportunity in the future and look forward to reporting on the growth of this business in 2010."

Financial Summary

\$000s (except per share amounts)	3-months ended December 31, 2009	3-months ended December 31, 2008	% Change	12-months ended December 31, 2009	12-months ended December 31, 2008	% Change
Direct written premiums	39,303	39,948	(1.6)	163,862	170,730	(4.0)
Net written premiums	35,813	36,644	(2.3)	149,745	158,107	(5.3)
Net earned premiums	36,439	39,547	(7.9)	149,379	157,255	(5.0)
Underwriting income (loss)	(9,454)	(489)	(1,833)	(9,339)	163	–
Investment income	6,476	(2,481)	–	17,771	10,009	77.6
Net income (loss)	(2,347)	(2,322)	(1.1)	4,515	5,979	(24.5)
Net income (loss) per diluted share	(0.19)	(0.19)	(0)	0.36	0.53	(32.0)
Book value per share	11.12	10.16	9.4	11.12	10.16	9.4
Net operating income	(4,616)	3,037	–	189	9,083	–
Net operating income per diluted share	(0.36)	0.24	–	0.02	0.80	(97.5)

Fourth Quarter Highlights

Net operating income or loss, defined as net income excluding after-tax realized losses/gains on investments, including ‘other than temporary’ impairments, decreased by \$7.7 million to a loss of \$4.6 million during the quarter, compared to income of \$3.0 million during the same period in 2008.

In the fourth quarter of 2009, EGI Financial generated direct written and assumed premiums totaling \$39.3 million, 1.6% below the \$40.0 million recorded in the fourth quarter of 2008. The decrease was the result of a reduction in premiums generated by the International and Niche Products divisions and was partially offset by a 25% increase in direct written premiums from the Personal Lines Division.

International division premiums decreased by \$4.1 million due to the cancellation of U.S.-based reinsurance arrangements. Direct written premiums generated by the Niche Products division decreased by \$2.1 million during the quarter as a result of the decrease in Emergency Travel Health premiums written compared to the fourth quarter of 2008. The Personal Lines division reported a \$5.6 million increase in direct written premiums compared to the same period in 2008.

Company wide, net written premiums decreased by 2.3% to \$35.8 million compared to \$36.6 million in the same period last year. This decrease was consistent with the decrease in direct written and assumed premiums.

Net earned premiums for the three months ended December 31, 2009, totaled \$36.4 million, a decrease of 7.9%, compared to \$39.5 million in the fourth quarter of 2008. The decline in net earned premiums is greater than the decline in net written premiums during the period, and is primarily the result of growth in direct written premiums from the Personal Lines division, which will not fully impact earned premiums until 2010.

An underwriting loss of \$9.5 million was recorded in the fourth quarter of 2009, compared with a loss of \$0.5 million during the same period in 2008. For the three months ended December 31, 2009, the Personal Lines division recorded an underwriting loss of \$4.5 million, compared with underwriting income of \$0.5 million during the fourth quarter of 2008. The Niche Products division recorded an underwriting loss of \$3.5 million, compared with underwriting income of \$0.2 million during the same period in 2008 and the International division reported a slightly increased underwriting loss of \$1.1 million, compared with an underwriting loss of \$1.0 million in the fourth quarter of 2008.

During the fourth quarter of 2009, the loss ratio for the Personal Lines division was 88.1%, compared to 70.4% for the same period in 2008. The Personal Lines division experienced adverse claims experience during the quarter and was also negatively impacted by a \$1.9 million increase in reserves to reflect the estimated additional costs related to the July 2010 implementation of the Harmonized Sales Tax in Ontario. The loss ratio for the Niche Products division increased significantly to 96.2% during the quarter, compared to 56.5% for the same period in 2008. The development of prior year claims in the liability line of business and a \$2.0 million increase in IBNR were the main factors in the higher loss ratio. The International division recorded a loss ratio of 344.3% during the period, compared with 90.3% during the final quarter of 2008. The increase was the result of claims experience related to the run-off of cancelled assumed reinsurance contracts effective December 31, 2008 and March 31, 2009 with low offsetting earned premiums.

The combined ratio for the fourth quarter of 2009 for all lines of business increased to 125.9% compared with 101.2% 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 final quarter of 2009, income from investments increased to \$6.5 million compared to a net loss on investments of \$2.5 million in the final quarter of 2008. The significant increase was due to the realization of net gains, on the disposal of investments, of \$3.8 million in the quarter compared to net realized losses (including impairments) of \$8.0 million in the final quarter of 2008.

The total fair value of the investment portfolio as at December 31, 2009 (including cash and short term and premium financing receivables) was \$368.2 million compared to \$309.5 million as at December 31, 2008.

For the quarter ended December 31, 2009, the net loss before income taxes was \$3.3 million compared to a net loss of \$3.3 million for the final quarter of 2008.

For the quarter ended December 31, 2009, approximately 23% of EGI Financial's revenue was generated within the Niche Products division, 1% within the International division and the remaining 76% generated within the Personal Lines division. Geographically, EGI's business in

2009 was derived from Ontario 73%, Quebec 12%, Nova Scotia 5%, Alberta 4%, British Columbia 3%, other jurisdictions in Canada 2% and United States 1%.

Full-Year Highlights

Net operating income was \$0.2 million or \$0.02 per share on a diluted basis for the 12 months ended December 31, 2009. This compares to net operating income of \$9.1 million or \$0.80 per share for 2008.

Direct written and assumed premiums decreased \$6.9 million or 4.0% to \$163.8 million for the year ended December 31, 2009, compared to \$170.7 million for 2008. The International and Niche Products divisions experienced declines in premiums of \$14.6 and \$2.7 million, respectively, compared to 2008. The Personal Lines division recorded growth in premium volume of \$10.5 million or 9.8%. The increase in Personal Lines premiums written was the result of premium growth in non-standard automobile line of business, a reflection of EGI's strengthening competitive position in the non-standard market.

Net written premiums decreased 5.3% to \$149.7 million compared to \$158.1 million in the same period last year.

For the year ended December 31, 2009, approximately 26% of EGI Financial's revenue was generated within the Niche Products division, 4% within the International division and the remaining 70% generated within the Personal Lines division. Geographically, EGI's business in 2009 was derived from Ontario 72%, Quebec 12%, Nova Scotia 3%, Alberta 3%, British Columbia 4%, other jurisdictions in Canada 2% and United States 4%.

For the year-ended December 31, 2009, the Company recorded an underwriting loss of \$9.3 million, compared to underwriting income of \$0.2 million in 2008.

The combined ratio for 2009 was 106.3%, compared with 99.9% in 2008. The primary reason for the increase was the higher loss ratio 72.4% in 2009 compared to 67.3% in 2008. The expense ratio for the year was 33.8% compared to 32.6% in 2008.

Investment income for the year ended December 31, 2009 was \$17.7 million compared to \$10.0 million in 2008. The increase in investment income compared to 2008 resulted from net gains of \$6.9 million recorded in 2009 on the sale of investments. Partially offsetting the net gains on investments in 2009 were foreign exchange losses of \$1.1 million derived from funds held in U.S. currency and the impact of the stronger Canadian dollar.

Net income decreased 24.5%, to \$4.5 million for the year ended December 31, 2009, compared to \$6.0 million in 2008 resulting in a return on equity on a last-twelve-months basis of 3.6% compared to 5.4% for 2008.

The ratio of net written premiums to shareholders' equity for the year ended December 31, 2009 was 1.2 times compared to 1.4 times at December 31, 2008. This level of leverage continues to be well below the 2.5:1 ratio which management feels is fully leveraged capital. Echelon General's Minimum Capital Test (MCT) margin at December 31, 2009, was 309%, 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 year indicated divided by the average shareholders' equity during the year.

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 2010 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 February 22, 2010 at 2:00 p.m. (ET). The call-in numbers for participants are 647-427-7450 or toll free 888-231-8191, Conference ID 50646034. 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=2933260>.

A replay of the call will be available until March 1, 2010. To access the replay, call 416-849-0833 or toll free, 1-800-642-1687, enter password 50646034.

For further information:

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EGI FINANCIAL HOLDINGS INC.
Unaudited Consolidated Balance Sheets
(in \$ thousands)

	December 31 2009	December 31 2008
Assets		
Cash and short-term deposits	\$ 46,885	\$ 29,111
Investments (note 4)	294,365	259,774
Reinsurers' share – unearned premiums	4,972	3,712
– provision for unpaid claims	38,736	41,901
Accounts receivable	32,950	27,565
Income taxes recoverable	–	7,202
Due from insurance companies	5,545	9,063
Deferred policy acquisition costs	14,807	14,703
Property and equipment	838	996
Intangible assets	468	1,376
Future income taxes	3,952	3,172
Prepaid expenses and other assets	2,947	4,205
	\$446,465	\$402,780
Liabilities		
Bank indebtedness	\$ 19,550	\$ 19,550
Provision for unpaid claims	207,220	185,255
Unearned premiums	72,643	71,154
Unearned commission	513	363
Income taxes payable	4,151	429
Accounts payable and accrued liabilities	6,312	4,291
Payable to insurance companies	1,829	2,460
Other liabilities	816	674
	313,034	284,176
Shareholders' Equity		
Share capital	68,618	67,056
Contributed surplus	403	403
Retained earnings	60,301	56,605
Accumulated other comprehensive income (loss)	4,109	(5,460)
	133,431	118,604
	\$446,465	\$402,780

EGI FINANCIAL HOLDINGS INC.
Unaudited Consolidated Statements of Income
for the years ended December 31
(in \$ thousands)
(except per share amounts)

	2009	2008
Revenue		
Direct written and assumed premiums	\$163,862	\$170,730
Net written and assumed premiums	149,745	158,107
Net earned premiums	149,379	157,255
Investment income	17,771	10,009
	167,150	167,264
Expenses		
Incurred claims	108,194	105,837
Acquisition costs	34,429	37,026
Operating costs	16,095	14,229
Interest	1,212	1,216
	159,930	158,308
Income before income taxes	7,220	8,956
Income tax expense	2,705	2,977
Net income	\$ 4,515	\$ 5,979
Earnings per share		
Net income per share – basic	\$ 0.38	\$ 0.57
Net income per share – diluted	\$ 0.36	\$ 0.53

EGI FINANCIAL HOLDINGS INC.
Unaudited Consolidated Statements of Changes in Shareholders' Equity
and Comprehensive Income (Loss)
for the years ended December 31
(in \$ thousands)

	2009	2008
Share capital		
Balance, beginning of year	\$ 67,056	\$ 46,040
Common shares issued	1,562	21,016
Balance, end of year	68,618	67,056
Contributed surplus		
Balance, beginning of year	403	247
Stock options – granted (net of forfeitures)	191	186
– exercised	(191)	(30)
Balance, end of year	403	403
Retained earnings		
Balance, beginning of year	56,605	53,193
Net income	4,515	5,979
Dividends – Common shares	(819)	(2,567)
Balance, end of year	60,301	56,605
Accumulated other comprehensive income (loss)		
Balance beginning of year	(5,460)	2,191
Other comprehensive income (loss)	9,569	(7,651)
Balance, end of year	4,109	(5,460)
Shareholders' equity, end of year	\$133,431	\$118,604
Comprehensive income		
Net income	\$ 4,515	\$ 5,979
Other comprehensive income (loss), net of taxes		
Change in unrealized gains on available-for-sale investments:		
Net unrealized gains (losses) on available-for-sale investments	14,344	(10,618)
Reclassification of net realized (gains) losses to net income	(4,250)	3,120
Unrealized losses on translation of financial statements of self-sustaining foreign operations	(525)	(153)
Other comprehensive income (loss)	9,569	(7,651)
Total comprehensive income (loss)	\$ 14,084	\$ (1,672)

EGI FINANCIAL HOLDINGS INC.
Unaudited Consolidated Statements of Cash Flows
for the years ended December 31
(in \$ thousands)

	2009	2008
Cash provided by (used in):		
Operating activities		
Net income	\$ 4,515	\$ 5,979
Items not involving cash		
Amortization	1,326	674
Amortization of premiums on bonds	736	501
Realized (gains) losses on investments	(6,860)	4,833
Increase (decrease) in accrued investment income	97	(285)
Other	191	186
	5	11,888
Cash flow from changes in		
Reinsurers' share of unearned premiums	(1,260)	(110)
Reinsurers' share of unpaid claims	3,165	6,560
Accounts receivable	(5,385)	(2,183)
Income taxes recoverable	7,202	(3,495)
Due from insurance companies	3,518	(2,864)
Accounts payable and accrued liabilities	1,662	(2,794)
Provision for unpaid claims	21,965	16,164
Unearned premiums	1,489	1,964
Income taxes payable	(742)	-
Future income taxes	(780)	2,988
Prepaid expenses and other assets	1,258	(1,592)
Deferred policy acquisition costs	(104)	827
	32,013	27,353
Financing activities		
Issue of common shares	1,371	20,986
Common share dividends	(819)	(2,567)
	552	18,419
Investing activities		
Purchases of property and equipment and intangible assets	(260)	(1,796)
Purchase of investments	(256,454)	(249,873)
Sale/maturity of investments	241,923	212,223
	(14,791)	(39,446)
Increase in cash and short-term deposits	17,774	6,326
Cash and short-term deposits, beginning of year	29,111	22,785
Cash and short-term deposits, end of year	\$46,885	\$29,111
Supplementary information		
Income taxes paid	\$ 4,392	\$ 9,021
Interest paid	\$ 1,215	\$ 1,209