



## EGI Financial Reports 2010 First Quarter Results

TORONTO, May 7, 2010 - EGI Financial Holdings Inc. ("EGI Financial") (TSX: EFH) today announced its results for the first quarter ended March 31, 2010.

### Q1 Financial Highlights

- Net loss after taxes of \$1.8 million, compared to \$0.2 million in the first quarter of 2009
- Net loss per fully diluted share of \$0.14, compared to \$0.02 in the first quarter of 2009
- Direct written premiums increased by 39% over the first quarter of 2009
- Net earned premium of \$38.2 million, compared to \$41.6 million in the first quarter of 2009
- Investment income increased to \$3.7 million from \$1.9 million in the first quarter of 2009
- Book value per share increased to \$11.14 from \$10.21 at the end of the first quarter 2009
- Total fair value of investment portfolio increased to \$336 million from \$321 million as at December 31, 2009

"During the first quarter of 2010, we reported significant volume growth across all of our major lines of business, with our Personal Lines and Niche Products divisions recording increases in net written premiums of 28% and 39% respectively", said Douglas McIntyre, Chief Executive Officer of EGI Financial. "However, we continue to be adversely affected by challenging market conditions and this has had an impact on certain areas of our underwriting results. Our investors continue to benefit from our conservative investment philosophy and our book value per share has increased in the quarter."

"During the quarter, we accelerated the growth of our International division as our U.S. subsidiary, Echelon Insurance Company of America ("EICA"), completed the acquisition of and subsequently merged with American Colonial Insurance Company, Inc. ("ACIC"), a Florida-domiciled property and casualty insurance firm licensed in several Southeastern U.S. states. This acquisition gives us a critical platform to pursue organic growth in the U.S., while continuing to seek acquisition targets that meet our valuation criteria. I am pleased to report that, in April, subsequent to quarter end, we sold our first policy in the state of Texas", added Mr. McIntyre.

## Financial Summary

| <b>\$000s<br/>(except per share amounts)</b> | <b>3-months<br/>ended March<br/>31, 2010</b> | <b>3-months<br/>ended March<br/>31, 2009</b> | <b>%<br/>Change</b> |
|--|--|--|---------------------|
| Direct written premiums                      | 43,990                                       | 31,616                                       | 39.1                |
| Net written premiums                         | 38,216                                       | 29,058                                       | 31.5                |
| Net earned premiums                          | 38,224                                       | 41,573                                       | (8.1)               |
| Underwriting loss                            | (5,810)                                      | (1,872)                                      | (210.4)             |
| Investment income                            | 3,684  | 1,874  | 96.6                |
| Net loss                                     | (1,770)                                      | (230)  | (670.0)             |
| Net loss per diluted share                   | (0.14)                                       | (0.02)                                       | (600)               |
| Book value per share                         | 11.14  | 10.21  | 9.1                 |

## First Quarter Highlights

In the first quarter of 2010, direct written premiums increased by 39.1% to \$44.0 million over the first three months of 2009. The increase was attributable to significant premium growth from both of the Company's Canadian divisions. Personal Lines grew 26.6% as signs of a hardening Ontario automobile insurance market continued, along with strong organic growth in other regions such as Nova Scotia. Niche Products grew 70.4% with the addition of a significant commercial automobile insurance account and organic growth across other lines of business.

The International division continues to operate in start-up mode. Significant progress was made in the quarter, including the purchase of Florida-based American Colonial Insurance Company, Inc. The International division has now obtained all required regulatory approvals in Texas and is fully operational in the state. Regulatory approvals have also been obtained in Florida, and we expect to be ready to launch in that state later this year.

Company-wide, net written premiums increased 31.5% to \$38.2 million over the same period in 2009. The increase was slightly less than the increase in direct written premiums during the period, due to increased reinsurance costs incurred during the first quarter of 2010.

Net earned premiums totaled \$38.2 million, compared to \$41.6 million in the first quarter of 2009. Growth in net earned premiums is lower than net written premiums due to the lag effect of new business growth, the significant reduction in Emergency Travel Health earned premiums and the discontinued U.S. assumed reinsurance business.

## Operating Results

| <b>Underwriting Income<br/>\$millions</b> | <b>3-months<br/>ended March<br/>31, 2010</b> | <b>3-months<br/>ended March<br/>31, 2009</b> |
|---|--|--|
| Personal Lines                            | \$(4.0)                                      | \$0.4  |
| Niche                                     | \$(1.3)                                      | \$(1.3)                                      |
| International and Corporate               | \$(0.5)                                      | \$(1.0)                                      |
| Total                                     | \$(5.8)                                      | \$(1.9)                                      |

Underwriting losses for the first quarter of 2010 were \$5.8 million. The primary cause of this is the sudden and rapid increase in claims costs for both new and previously reported claims in certain areas of the Ontario automobile insurance market. While the significant majority of EGI's business is profitable, large automobile claims in the greater Toronto and surrounding area continue to grow in frequency and quantum and have a disproportionate effect on overall results. EGI is not immune to these market conditions and is taking corrective action to remedy the situation. Poor claims experience in Niche liability insurance also contributed to the first quarter underwriting loss, but we believe that this is a normal fluctuation and not systemic.

| <b>Loss Ratio</b> | <b>3-months<br/>ended March<br/>31, 2010</b> | <b>3-months<br/>ended March<br/>31, 2009</b> |
|-------------------|--|--|
| Personal Lines    | 87.4%  | 70.1%  |
| Niche             | 73.9%  | 71.1%  |
| International     | –  | 91.6%  |

In the Personal Lines division, in addition to current period claims, loss ratios and claims costs for the quarter were also impacted by the negative development of prior year claims of \$2.0 million for this division compared to positive development of \$1.5 million for the same period last year. Claims incurred and IBNR increases in the Niche Products liability line of business contributed to the loss ratio of 73.9%. The combined ratio for the first quarter of 2010 for all lines of business increased to 115.2% compared with 104.5% 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.

Investment income increased to \$3.7 million in the first quarter of 2010, compared to \$1.9 million in the same period in 2009. The increase was due primarily to the realization of gains in the first quarter of 2010 of \$0.9 million compared to realized losses, including impairments, of \$1.6 million in the same period last year. No impairments have been recorded in 2010.

Shareholders' equity increased to \$133.7 million at March 31, 2010, an increase of \$0.3 million from December 31, 2009. The net increase was the result of a net loss of \$1.8 million in the quarter which was more than offset by other comprehensive income of \$2.0 million in the quarter.

EGI remains well capitalized with a Net Premiums Written to Equity ratio of 1.2:1.

Full Financial Statements and Management's Discussion and Analysis (MD&A) will be available at a later time today on SEDAR and on the Company's web site at: [www.egi.ca](http://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](http://www.sedar.com).

### **Conference Call**

A conference call for analysts and interested listeners will be held Friday, May 7, 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 67441494. A live audio feed of the call will be broadcast on the internet through the Company's website at [www.egi.ca](http://www.egi.ca), or directly at:

<http://www.newswire.ca/en/webcast/viewEvent.cgi?eventID=3020820>

A replay of the call will be available until May 14, 2010. To access the replay, call 416-849-0833 or toll free, 1-800-642-1687, enter password 67441494.

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