

Consolidated Financial Statements of

EGI FINANCIAL HOLDINGS INC.

December 31, 2008 and 2007

Management's Responsibility for Financial Reporting

Roles of Management, Board of Directors and Audit Committee

Management is responsible for the preparation and fair presentation of the consolidated financial statements, management's discussion and analysis and other information in the annual report. The consolidated financial statements of EGI Financial Holdings Inc. (the Company) were prepared in accordance with Canadian generally accepted accounting principles. Where necessary, these consolidated financial statements reflect amounts based on the best estimates and judgment of management.

In meeting its responsibility for the reliability of the consolidated financial statements, management maintains the necessary system of internal controls. These controls are designed to provide management with reasonable assurance that the financial records are reliable for preparing consolidated financial statements and other financial information, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The Audit Committee, comprised of directors who are not officers or employees of the Company, meets, as required, with management, the Appointed Actuary and the external auditors to review actuarial, accounting, reporting and internal control matters. The Audit Committee is responsible for reviewing the consolidated financial statements and management's discussion and analysis and recommending them to the Board of Directors for approval.

Role of Appointed Actuary

The actuary is appointed by the Board of Directors, pursuant to the Insurance Companies Act. The Appointed Actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. The Appointed Actuary is also required to provide an opinion regarding the appropriateness of the policy liabilities at the consolidated balance sheet dates to meet all policyholder obligations of the Company. Examination of supporting data for accuracy and completeness and consideration of the Company's assets are important elements of the work required to form this opinion. The Appointed Actuary uses the work of the external auditors in verifying data used for valuation purposes. Policy liabilities include unearned premiums, provision for unpaid claims, reinsurers' share of unearned premiums and provision for unpaid claims and deferred policy acquisition costs.

Role of external auditors

PricewaterhouseCoopers LLP, external auditors, have been appointed by the shareholders to conduct an independent audit of the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards and report to the shareholders regarding the fairness of the annual consolidated financial statements. The external auditors consider the work of the Appointed Actuary in respect of policy liabilities included in the consolidated financial statements, on which the Appointed Actuary has rendered an opinion.

Toronto, Ontario
February 23, 2009

(signed) Douglas E. McIntyre,
Chief Executive Officer

(signed) Hemraj Singh,
Chief Financial Officer

APPOINTED ACTUARY'S REPORT

To the Shareholders of EGI Financial Holdings Inc.

I have valued the policy liabilities of the subsidiary insurance operations of EGI Financial Holdings Inc. in its consolidated balance sheets as at December 31, 2008 and 2007 in accordance with accepted actuarial practice, including the selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the consolidated balance sheets fairly present the results of the valuation.

Toronto, Ontario
February 23, 2009

(signed) Joe S. Cheng, FCIA
J. S. Cheng & Partners Inc.

February 23, 2009

Auditors' Report

To the Shareholders of
EGI Financial Holdings Inc.

We have audited the consolidated balance sheets of EGI Financial Holdings Inc. as at December 31, 2008 and 2007 and the consolidated statements of income, changes in shareholders' equity and comprehensive income and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

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

Assets	December 31 2008	December 31 2007
	<hr/>	<hr/>
Cash and short-term deposits	\$ 29,111	\$ 22,785
Investments (note 4)	259,774	238,310
Reinsurers' share - unearned premiums (note 5)	3,712	3,602
- provision for unpaid claims (note 6)	41,901	48,461
Accounts receivable	27,565	25,382
Income taxes recoverable	7,202	3,278
Due from insurance companies	9,063	6,199
Deferred policy acquisition costs	14,703	15,530
Fixed assets (note 9)	2,372	1,250
Future income taxes (note 13)	3,172	2,674
Prepaid expenses and other assets	4,205	2,613
	<hr/>	<hr/>
	\$402,780	\$370,084
 Liabilities		
Bank indebtedness (note 14)	\$ 19,550	\$ 19,550
Provision for unpaid claims (note 6)	185,255	169,091
Unearned premiums (note 5)	71,154	69,190
Unearned commission	363	291
Income taxes payable	429	-
Accounts payable and accrued liabilities	4,291	5,444
Payable to insurance companies	2,460	3,894
Other liabilities	674	953
	<hr/>	<hr/>
	284,176	268,413
 Shareholders' Equity		
Share capital (note 10)	67,056	46,040
Contributed surplus (note 11)	403	247
Retained earnings	56,605	53,193
Accumulated other comprehensive (loss) income	(5,460)	2,191
	<hr/>	<hr/>
	118,604	101,671
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	\$402,780	\$370,084

On Behalf of the Board of Directors:

(signed) Douglas E. McIntyre
Director

(signed) Paul F. Little
Director

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

	2008	2007
Revenue		
Direct written and assumed premiums	\$170,730	\$157,935
Net written and assumed premiums	158,107	146,511
Net earned premiums	157,255	119,606
Investment income (note 4)	10,009	12,954
	167,264	132,560
Expenses		
Incurred claims	105,837	71,179
Acquisition costs	37,026	26,143
Operating costs	14,229	12,043
Interest	1,216	259
	158,308	109,624
Income before income taxes	8,956	22,936
Income tax expense (note 13)	2,977	7,871
	\$ 5,979	\$ 15,065
Earnings per share (note 19)		
Net income per share - basic	\$ 0.57	\$ 1.56
Net income per share - diluted	\$ 0.53	\$ 1.45

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

	2008	2007
Share capital		
Balance, beginning of year	\$ 46,040	\$ 45,833
Common shares issued	21,016	207
Balance, end of year	67,056	46,040
Contributed surplus		
Balance, beginning of year	247	149
Stock options - granted	186	123
- exercised	(30)	(25)
Balance, end of year	403	247
Retained earnings		
Balance, beginning of year	53,193	40,059
Net income	5,979	15,065
Dividends - Common shares	(2,567)	(1,931)
Balance, end of year	56,605	53,193
Accumulated other comprehensive (loss) income		
Balance beginning of year	2,191	-
Transition adjustment - financial instruments	-	5,301
Other comprehensive (loss)	(7,651)	(3,110)
Balance, end of year	(5,460)	2,191
Shareholders' equity, end of year	\$118,604	\$101,671
Comprehensive income		
Net income	\$ 5,979	\$ 15,065
Other comprehensive loss, net of taxes		
Change in unrealized gains on available-for-sale securities:		
Net unrealized gains (losses) on available-for-sale securities	(10,618)	(957)
Reclassification of net realized (gains) losses to net income	3,120	(2,153)
Unrealized losses on translation of financial statements of self-sustaining foreign operations	(153)	-
Other comprehensive (loss)	(7,651)	(3,110)
Total comprehensive (loss) income	\$ (1,672)	\$ 11,955

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

	<u>2008</u>	<u>2007</u>
Cash provided by (used in):		
Operating activities		
Net income	\$ 5,979	\$15,065
Items not involving cash		
Amortization of fixed assets	674	406
Amortization of premiums on bonds	501	368
Realized losses (gains) on investments	4,833	(3,350)
Increase in accrued investment income	(285)	(426)
Other	186	123
	<u>11,888</u>	<u>12,186</u>
Cash flow from changes in		
Reinsurers' share of unearned premiums	(110)	229
Reinsurers' share of unpaid claims	6,560	(76)
Accounts receivable	(2,183)	(3,200)
Income taxes recoverable	(3,495)	(2,706)
Due from insurance companies	(2,864)	(2,203)
Accounts payable and accrued liabilities	(2,794)	590
Provision for unpaid claims	16,164	22,990
Unearned premiums	1,964	26,036
Income taxes payable	-	(3,151)
Future income taxes	2,988	547
Prepaid expenses and other assets	(1,592)	(2,343)
Deferred policy acquisition costs	827	(8,065)
	<u>27,353</u>	<u>40,834</u>
Financing activities		
Increase in bank indebtedness	-	19,550
Issue of common shares	20,986	182
Common share dividends	(2,567)	(1,931)
	<u>18,419</u>	<u>17,801</u>
Investing activities		
Purchase of fixed assets	(1,796)	(857)
Purchase of investments	(249,873)	(256,245)
Sale/maturity of investments	212,223	204,099
	<u>(39,446)</u>	<u>(53,003)</u>
Increase in cash and short-term deposits	\$ 6,326	\$ 5,632
Cash and short-term deposits, beginning of year	22,785	17,153
Cash and short-term deposits, end of year	<u>\$29,111</u>	<u>\$22,785</u>
Supplementary information		
Income taxes paid	\$ 9,021	\$13,095
Interest paid	\$ 1,209	\$ 196

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements
(in \$ thousands, except per share amounts)

1 Organization and Basis of Presentation

EGI Financial Holdings Inc. (the Company or EGI) was incorporated on August 18, 1997 under the Business Corporations Act (Ontario). The Company is principally engaged, through its subsidiaries, in property and casualty insurance in Canada and the U.S.

The Company's wholly-owned subsidiaries are EGI Insurance Managers Inc., Echelon General Insurance Company (Echelon), EGI Insurance Services, Inc., and CIM Reinsurance Company Ltd. (CIM Re).

The Company's Barbados based subsidiary, CIM Re changed its functional currency to U.S. dollars effective January 1, 2008. CIM Re is operating as a self-sustaining foreign subsidiary and is therefore subject to foreign currency translation adjustments upon consolidation.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

2 Significant accounting changes

Capital Disclosures and Financial Instruments- Disclosures and Presentation

On January 1, 2008, the Company adopted three new accounting standards that were issued by The Canadian Institute of Chartered Accountants (CICA):

Handbook Section 1535, Capital Disclosures

Handbook Section 3862, Financial Instruments – Disclosure

Handbook Section 3863, Financial Instruments – Presentation

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replaced Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revised and enhanced its disclosure requirements, and continued its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements (continued)
(in \$ thousands, except per share amounts)

3 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses for the reporting period of the consolidated statements of income. Actual results could differ from those estimates.

Cash and short-term deposits

Cash and short-term deposits include cash-on-hand, cash balances with banks and short term investments maturing in 90 days or less from the date of acquisition. These financial assets are classified as held-to-maturity assets and are recorded at an amortized cost which approximates fair value.

Investments

Investments are carried at fair value, which is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market available. All investments are non-derivatives and as such have all been classified as available-for-sale (AFS) investments.

Any change during the year in the fair values of investments classified as AFS are recognized in Other Comprehensive Income (loss) (OCI). The cumulative change in the fair values of investments previously recognized in Accumulated Other Comprehensive Income (loss) (AOCI) are reclassified to Net Income when they are realized or the decline in value is considered to be other than temporary.

Transaction costs related to AFS investments are capitalized on initial recognition and, where applicable, are amortized to interest income using the effective yield method.

Investment income is recorded as it accrues. Dividend income on shares is accrued on the ex-dividend date. Gains and losses on disposal of investments are determined and recorded as at the transaction date and are calculated on the basis of the average cost of the investments held.

Provision for unpaid claims

Provision for unpaid claims includes adjustment expenses, which represent the estimated amounts required to settle all outstanding and unreported claims incurred to the end of the year. Unpaid claims liabilities are carried on an actuarial present value (APV) basis (discounted claims plus provisions for adverse deviations). Expected reinsurance recoveries on unpaid claims and adjustment expenses, net of any required provision for doubtful amounts, are

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements (continued)
(in \$ thousands, except per share amounts)

recognized as assets at the same time, using principles consistent with the Company's method for establishing the related liability.

Reinsurance

The Company reflects third party reinsurance balances on the consolidated balance sheets on a gross basis to indicate the extent of credit risk related to third party reinsurance and its obligations to policyholders and on a net basis in the consolidated statements of income to indicate the results of the retention of premiums written.

Revenue recognition

Insurance premiums written are deferred as unearned premiums and taken into income pro rata primarily over the terms of the underlying policies. The portion of the premium related to the unexpired term of the policy at the end of the fiscal year is reflected in unearned premiums.

Deferred policy acquisition costs

Commissions and premium taxes incurred in the writing of premiums are deferred only to the extent that they are expected to be recovered from unearned premiums and are amortized to income over the terms of the related insurance policies. If unearned premiums are not sufficient to pay expected claims and expenses, including policy maintenance expenses and unamortized policy acquisition costs, a premium deficiency is said to exist. Premium deficiencies are recognized initially by writing down deferred policy acquisition costs.

Fixed assets

Fixed assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful lives of the assets using the straight-line method over the following terms:

Furniture and equipment	3 years
Computer hardware	3 years
Computer software	2 years

Employee benefits

The Company contributes to a group registered savings plan for employees as services are incurred. There are no other post-employment benefits.

Income taxes

The Company follows the asset and liability method of accounting for income taxes, whereby future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective income tax bases and taxable losses and tax credit carry-forwards. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in income in the year that includes the date of

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements (continued)
(in \$ thousands, except per share amounts)

enactment or substantive enactment. Future tax assets are recognized to the extent the realization of such assets is more likely than not.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars using the exchange rates in effect at the date the transactions occurred. Monetary assets and liabilities are translated into Canadian dollars using the exchange rates in effect at the consolidated balance sheet dates. Exchange gains and losses are included in income, except unrealized gains or losses related to investments designated as AFS, which are recorded in AOCI.

Stock-based compensation

The Company has a stock option plan that is described in note 11. Stock options granted under the plan are accounted for using the fair value method. Under this method, the compensation cost of stock options granted is measured at estimated fair value at the grant date and recognized over the vesting period.

4 Investments

The Company utilizes the prudent person approach to asset management, as required by the Insurance Companies Act (the Act). An investment policy is in place and its application is monitored by the Board of Directors. Diversification techniques are employed to minimize risk. Policies limit investments in any entity or group of related entities to a maximum of 5% of the Company's assets. Limitations are also placed on the quality of investments, particularly relating to investment grade bonds.

Fair value

The fair value of the investments is considered to be the quoted value, less transaction costs, based on bid prices determined by external pricing services. The majority of the investment portfolio is fully invested in well-established, active, liquid markets.

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements (continued)
(in \$ thousands, except per share amounts)

Fair value of investments

The following table provides a comparison as at December 31:

Available for sale	2008	2007
	Carrying and fair value	Carrying and fair value
Bonds		
Canadian		
Federal	\$ 82,078	\$ 80,378
Provincial	45,162	30,948
Municipal	6,935	3,908
Corporate	86,570	67,864
	<u>220,745</u>	<u>183,098</u>
United States		
Federal	-	2,288
Corporate	2,717	666
	<u>2,717</u>	<u>2,954</u>
Total bonds	<u>223,462</u>	<u>186,052</u>
Preferred shares	<u>4,042</u>	<u>6,106</u>
Common shares		
Canadian	29,049	42,150
United States	1,178	2,244
	<u>30,227</u>	<u>44,394</u>
Investment income due and accrued	<u>2,043</u>	<u>1,758</u>
	<u>\$259,774</u>	<u>\$238,310</u>

Impaired assets and provisions for losses

The Board of Directors has established a policy to write down or make a provision for any investment with other than temporary impairment.

Management has reviewed currently available information regarding those investments whose estimated fair values are less than carrying values. For those securities whose decline in fair value was other than temporary, the Company has recorded the difference between the cost of the investment and its fair value as an impairment which reduces investment income in the year recorded.

The Company considers an impairment as other than temporary if it is unlikely the Company will recover an investment's amortized cost in a reasonable period of time. Factors considered by the Company include but are not limited to the impact of issuer specific events, industry specific events, current and expected future market and economic conditions, the nature of the investment and the severity and duration of the fair value deficiency.

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements (continued)
(in \$ thousands, except per share amounts)

An impairment loss of \$4,713, comprised of \$4,326 of common shares and \$387 of Canadian corporate bonds, has been recognized in net income during 2008. No provisions were recorded in 2007.

A remaining gross unrealized loss of \$14,757 on investments held as at December 31, 2008, is recorded, net of tax, in the amount of \$9,887 as Accumulated Other Comprehensive Loss. The Company has concluded during its review, that these fair value deficiencies are considered temporary in nature.

Investment income

Investment income was derived from the following:

	<u>2008</u>	<u>2007</u>
Interest income	\$11,596	\$ 9,653
Dividend income	1,664	1,102
Net realized (losses) gains and impairments ⁽¹⁾	(4,833)	3,350
Foreign exchange gain (loss) ⁽²⁾	2,706	(155)
Investment expenses	(1,124)	(996)
	<u>\$10,009</u>	<u>\$12,954</u>

(1) Net realized (losses) gains and impairments include realized losses of \$121 (2007 - gain of \$3,350) and impairments of \$4,712 (2007 - NIL).

(2) The foreign exchange gain of \$2,706 (2007 loss of \$155) arises primarily from cash balances held during the year, denominated in U.S. dollars, used to fund claims liabilities, denominated in U.S. dollars.

5 Unearned premiums

	<u>2008</u>		<u>2007</u>	
	<u>Gross</u>	<u>Ceded</u>	<u>Gross</u>	<u>Ceded</u>
Personal Lines:				
Automobile				
- accident benefits	\$15,592	\$ 821	\$16,435	\$ 892
- liability	23,803	1,051	18,512	1,031
- other	11,746	112	9,836	185
Total Personal Lines	<u>51,141</u>	<u>1,984</u>	<u>44,783</u>	<u>2,108</u>
Niche:				
Property				
- commercial	5,743	666	5,341	576
- personal	1,284	141	311	41
Liability	4,526	795	2,963	646
Accident and sickness	6,941	94	14,939	220
Other	1,519	32	853	11
Total Niche	<u>20,013</u>	<u>1,728</u>	<u>\$24,407</u>	<u>1,494</u>
	<u>\$71,154</u>	<u>\$3,712</u>	<u>\$69,190</u>	<u>\$3,602</u>

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements (continued)
(in \$ thousands, except per share amounts)

6 Provision for unpaid claims

The determination of the provision for unpaid claims and adjustment expenses and the related reinsurers' share requires the estimation of three major variables or quanta, being development of claims, reinsurance recoveries and the effects of discounting, to establish a best estimate of the value of the respective liability or asset.

The provision for unpaid claims and adjustment expenses is an estimate subject to variability and the variability could be material in the near term. The variability arises because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Variability can be caused by receipt of additional claim information, changes in judicial interpretation of contracts, significant changes in the severity or frequency of claims for historical trends, the timing of claim payments, recoverability of reinsurance and future rates of investment return. The estimates are principally based on the Company's historical experience. Methods of estimation have been used, which the Company believes produce reasonable results given current information.

All provisions are periodically reviewed and evaluated considering emerging claims experience and changing circumstances. The process of determining the provisions necessarily involves risks that actual results may differ, perhaps materially, from the best estimates made. The resulting changes in estimates of the ultimate liability are recorded as incurred claims in the current year.

The fair value of the provision for unpaid claims approximates carrying value determined in accordance with generally accepted actuarial methods in Canada, which discount estimated future cash flows and include a margin for adverse deviation.

The Company discounts its best estimate of claim provisions at a rate of interest of 2.45% for 2008 (2007 - 2.8%) for all lines of business. The Company determines the discount rate based on the expected return on its investment portfolio of assets with appropriate assumptions for interest rates relating to reinvestment of maturing investments.

The Company has recorded a \$5,097 (2007 - \$11,807) reduction to the net provision for unpaid claims relating to redundancies in prior year estimates.

To recognize the uncertainty in establishing these best estimates, to allow for possible deterioration in experience, and to provide greater comfort that the actuarial liabilities are adequate to pay future claims, the Company includes provisions for adverse deviations (PFADs) in some assumptions relating to claim development, reinsurance recoveries and future investment income. The PFADs selected are in the mid-range of those recommended by the Canadian Institute of Actuaries. The aggregate impact of the provision for adverse deviation is to increase the provision for unpaid claims on a gross basis by \$20,102 as at December 31, 2008 (2007 - \$17,487).

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements (continued)
(in \$ thousands, except per share amounts)

The following table shows the effects of discounting on unpaid claims and adjustment expenses.

	<u>Undiscounted</u>	<u>Effect of present value</u>	<u>PFADs</u>	<u>APV</u>
2008				
Provision for unpaid claims and adjustment expenses	\$179,426	\$(14,273)	\$20,102	\$185,255
Reinsurers' share of unpaid claims	39,411	(1,423)	3,913	41,901
	<u>\$140,015</u>	<u>\$(12,850)</u>	<u>\$16,189</u>	<u>\$143,354</u>
2007				
Provision for unpaid claims and adjustment expenses	\$164,267	\$(12,663)	\$17,487	\$169,091
Reinsurers' share of unpaid claims	47,115	(3,083)	4,429	48,461
	<u>\$117,152</u>	<u>\$ (9,580)</u>	<u>\$13,058</u>	<u>\$120,630</u>

The provision for unpaid claims on an APV gross and ceded basis by line of business is as follows:

APV basis	<u>2008</u>		<u>2007</u>	
	Gross	Ceded	Gross	Ceded
Personal lines:				
Accident benefits	\$ 72,008	\$21,396	\$ 64,794	\$23,526
Liability	91,555	17,218	86,919	22,509
Other	4,336	656	3,607	663
Total Personal lines	<u>\$167,899</u>	<u>\$39,270</u>	<u>\$155,320</u>	<u>\$46,698</u>
Niche:				
Property				
Commercial	\$ 3,273	\$ 247	\$ 4,371	\$ 520
Personal	332	20	101	50
Liability	8,377	1,960	3,967	1,180
Accident and sickness	4,728	404	4,940	13
Other	646	-	392	-
Total Niche	<u>\$ 17,356</u>	<u>\$ 2,631</u>	<u>\$ 13,771</u>	<u>\$ 1,763</u>
	<u>\$185,255</u>	<u>\$41,901</u>	<u>\$169,091</u>	<u>\$48,461</u>

7 Underwriting policy and reinsurance ceded

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavourable underwriting results by purchasing reinsurance to share all or part of the insurance risks originally accepted by the Company in

EGI FINANCIAL HOLDINGS INC.
Notes to Consolidated Financial Statements (continued)
(in \$ thousands, except per share amounts)

writing premiums. This reinsurance does not relieve the Company of its primary obligation to policyholders.

During 2008, the Company followed the policy of underwriting and reinsuring contracts of insurance, which limits the net exposure of the Company to a maximum amount on any one loss to \$1,500 (2007 - \$1,150). In addition, the Company obtained catastrophe reinsurance which limits the loss from a series of claims arising from a single occurrence to \$2,000 (2007 - \$1,150), to a maximum coverage of \$18,000 (2007 - \$13,850).

The Company places all its automobile reinsurance with Canadian registered reinsurers. There are non-registered reinsurers participating on the specialty property and casualty program business. The Company has access to trust funds that, in the Company's judgment, are adequate to secure the liabilities that the Company has ceded to non-registered reinsurers.

Failure of reinsurers to honour their obligations could result in losses to the Company. Consequently, the Company continually evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses. There have been no defaults and no provision made in the accounts for defaults based on management's review of the creditworthiness of its reinsurers.

Reinsurance recoverables

The following table summarizes the balances outstanding from reinsurers as at December 31, 2008 by risk rating:

<u>Credit rating</u>	<u>Gross reinsurance recoverable</u>	<u>Less: Provisions and securities held</u>	<u>Net exposure</u>
A	\$47,860	\$ -	\$47,860
Not rated	613	2,133	-
	<u>\$48,473</u>	<u>\$2,133</u>	<u>\$47,860</u>

Included in gross reinsurance recoverable is reinsurers' share of unearned premiums of \$3,712 reinsurers' share of provision for unpaid claims of \$41,901 and receivables from reinsurers presented as due from insurance companies of \$2,860. No balances due from reinsurers are considered past due as at December 31, 2008.

8 Risk management

As a provider of insurance products, effective risk management is fundamental to EGI's ability to protect the interests of EGI's customers and shareholders. EGI is exposed to risks of loss pertaining to insurance products. These include risks surrounding product and pricing, underwriting and claims, catastrophic exposure, and matching of assets and liabilities. EGI is also exposed to potential loss from various risks, including interest rate risk and equity market fluctuation risk, credit risk, liquidity risk, and to a lesser extent foreign exchange risk.

The Company has written principles for overall risk management, as well as written policies covering specific areas such as underwriting, reinsurance, foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

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Product and pricing

EGI prices its products taking into account numerous factors, including claims frequency and severity trends, product line expense ratios, special risk factors, the capital required to support the product line, and the investment income earned on that capital. EGI's pricing process is designed to ensure an appropriate return on capital and long-term rate stability avoiding wide fluctuations in rates, unless necessary. These factors are reviewed and adjusted periodically to ensure they reflect the current environment.

Pricing for automobile insurance must be submitted to each provincial government regulator and, in certain provinces, pre-approved by the regulator. Regulatory decisions may impede automobile rate increases or other actions that EGI may wish to take. Also, during periods of intense competition for any product line, to gain market share, EGI's competitors may price their products below the rates EGI considers acceptable. Although EGI may adjust its pricing up or down to maintain EGI's competitive position, EGI strives to ensure its pricing will produce an appropriate return on invested capital. There is no assurance that EGI will not lose market share during periods of pricing competition.

Underwriting and claims

EGI is exposed to loss resulting from the underwriting of risks being insured and the exposure to financial loss resulting from greater than anticipated adjudication, settlement and claims costs.

EGI's underwriting objectives are to develop business within EGI's target markets on a prudent and diversified basis and to achieve profitable underwriting results. EGI underwrites automobile business after a review of the applicant's driving record reports and claims experience. Specialty commercial and personal risks are selected by EGI, working with its external brokers, after consideration of various risk factors associated with these lines of business. Despite its best efforts, and consideration of all known risk factors, there can be no assurance that all risks associated with the insurance policies that it writes can be identified and assessed, and EGI may, therefore, experience increased adjudication, settlement and claims costs.

EGI estimates its claims reserves on a quarterly basis and this is supported by quarterly assessments by the independent consulting actuary. Every quarter, for each line of business, EGI compares actual and expected claims development. To the extent that actual results differ from expected development, assumptions are re-evaluated and new estimates are derived. Although EGI believes its overall provision levels to be adequate to satisfy its obligations under existing policies, actual losses may deviate, perhaps substantially, from the amounts reflected in EGI's consolidated financial statements. To the extent provisions prove to be inadequate, EGI would have to re-evaluate such provisions and may incur a charge to earnings in the future.

Unpredictable catastrophic events

Catastrophes can be caused by various natural and unnatural events. Natural catastrophic events include hurricanes, windstorms, earthquakes, hailstorms, explosions, severe winter weather and fires. Unnatural catastrophic events include hostilities, terrorist acts, riots, crashes and derailments. The incidence and severity of catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most catastrophes are restricted to

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small geographic areas; however, hurricanes, windstorms and earthquakes may produce significant damage in large, heavily populated areas.

Catastrophes can cause losses in a variety of business lines. Claims resulting from natural or unnatural catastrophic events could cause substantial volatility in EGI's financial results and could materially reduce EGI's profitability or harm EGI's financial condition. The Company manages the impact of losses which may result from catastrophic events by purchasing excess of loss and catastrophe reinsurance to share all or part of the insurance risks originally accepted by the Company (note 7).

EGI's ability to write new business also could be affected. EGI may experience an abrupt interruption of activities caused by unforeseeable and/or catastrophic events. EGI's operations may be subject to losses resulting from such disruptions. Losses can relate to property, financial assets, trading positions and to key personnel. EGI has developed business continuity plans designed to allow the Company to continue operations in case of a catastrophic event; however, if these plans cannot be put into action or do not take such events into account, losses may further increase.

Financial asset and liability matching

The Company is exposed to:

- changes in the value of its fixed income securities and policy liabilities to the extent that market interest rates change;
- equity price fluctuations, which affect the fair values of equities held by the Company;
- the risk of losses to the extent that the sale of a security prior to its maturity is required to provide liquidity to satisfy policyholder and other cash outflows;
- the risk that future inflation of policyholder cash flows exceed returns on long-term investment securities; and
- foreign exchange risks with respect to investments, receivables and policy liabilities denominated in foreign currencies.

To mitigate these risks, the Company has policies to ensure that assets and liabilities are broadly matched in terms of their duration and currency. The Company's exposures are monitored on a regular basis and actions are taken to balance investment positions when approved risk tolerance limits are exceeded.

Risk management is carried out by the Investment Committee under policies approved by the Board of Directors.

Market risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations, foreign exchange rates, and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying financial assets are traded. Below is a discussion of the Company's primary market risk exposures and how these exposures are currently managed.

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Interest rate risk

Fluctuations in interest rates have a direct impact on the fair valuation and future cash flows of the Company's fixed income securities portfolio. Generally, the Company's investment income will be reduced during sustained periods of lower interest rates as higher yielding fixed income securities mature or are sold and the proceeds are reinvested at lower rates. During periods of rising interest rates, the fair value of the Company's existing fixed income securities will generally decrease and gains on fixed income securities will likely be reduced.

The sensitivity analysis for interest rate risk as set out in the table below illustrates the impact of changes in interest rates on OCI relating to the fixed income securities portfolio as at December 31, based on parallel 200 basis point shifts in interest rates up and down in 100 basis point increments.

	As at December 31, 2008			As at December 31, 2007		
	Fair value of fixed income portfolio	Hypothetical change on fair value	Effect on OCI	Fair value of fixed income portfolio	Hypothetical change on fair value	Effect on OCI
Change in interest rates						
200 basis point rise	\$202,324	(9%)	\$(14,162)	\$166,475	(11%)	\$(12,921)
100 basis point rise	212,438	(5%)	(7,386)	175,763	(6%)	(6,790)
No change	223,462	-	-	186,052	-	-
100 basis point decline	235,533	5%	8,087	197,536	6%	7,579
200 basis point decline	248,463	11%	16,751	210,482	13%	16,124

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow requirements associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage cash flow requirements, the Company maintains a portion of invested assets in liquid securities.

The maturity profile of bonds as at December 31, 2008 is as follows:

	Less than 1 year	1 – 3 years	3 – 5 years	Greater than 5 years	Total
Bonds	\$10,187	\$46,959	\$57,135	\$109,181	\$223,462
Percentage of total	4.6%	21.0%	25.6%	48.8%	100%

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Future cash flows

The following table summarizes the expected timing of cash flows arising from insurance obligations, on an undiscounted basis (note 6), as at December 31, 2008:

	<u>Less than 1 year</u>	<u>1 – 3 years</u>	<u>3 – 5 years</u>	<u>Greater than 5 years</u>	<u>Total</u>
Actuarial liabilities (undiscounted)	\$59,526	\$63,161	\$34,627	\$22,112	\$179,426
Less: Reinsurance recoverable	<u>14,499</u>	<u>14,812</u>	<u>6,615</u>	<u>3,485</u>	<u>39,411</u>
Net actuarial liabilities	<u>\$45,027</u>	<u>\$48,349</u>	<u>\$28,012</u>	<u>\$18,627</u>	<u>\$140,015</u>

All other financial liabilities with the exception of bank indebtedness (note 14) and lease commitments (note 15) are for a duration of one year or less.

Equity price risk

Fluctuations in the value of equity securities affect the level and timing of recognition of gains and losses on securities held, and causes changes in realized and unrealized gains and losses. General economic conditions, political conditions and many other factors can also adversely affect the stock and bond markets and, consequently, the value of the equity and fixed income securities held.

The Company has policies to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

The table below summarizes the potential impact of a 20% change in the value of the equity securities (common and preferred shares) on OCI for the year ended December 31, 2008. Certain shortcomings are inherent in the method of analysis presented, as the analysis is based on the assumptions that all equity holdings increased/decreased by 20% with all other variables held constant.

<u>Change in equity holdings</u>	<u>Effect on OCI</u>
20% rise	\$ 4,592
20% decline	(\$4,592)

Credit risk

The Company is exposed to credit risk principally through its investment securities and balances receivable from policyholders and reinsurers. The Company has policies to limit and monitor its exposure to individual issuers and classes of issuers of investment securities which do not carry the guarantee of a national or Canadian provincial government. EGI's credit exposure to any one individual policyholder is not material. The Company has policies which limit its exposure to individual reinsurers and regular review processes to assess the creditworthiness of reinsurers with whom it transacts business.

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The Company's maximum exposure to credit risk, without taking into account amounts held as collateral is \$288,062, comprised of \$223,462 of bonds \$47,860 of gross reinsurance recoverables, \$9,063 of amounts due from insurance companies and \$7,677 in structured settlements.

The following table sets forth EGI's fixed income securities portfolio by credit quality according to DBRS as at December 31.

Fixed income portfolio

	As at December 31, 2008		As at December 31, 2007	
	Fair value	Fair value	Fair value	Fair value
AAA	\$107,830	48%	\$100,388	54%
AA	60,713	27%	43,015	23%
A	48,080	22%	37,631	20%
BBB	6,765	3%	5,018	3%
CCC	74	-	-	-
Total	\$223,462	100%	\$186,052	100%

Foreign exchange risk

Foreign exchange risk is the possibility that changes in foreign exchange rates produce an unintended effect on earnings and equity when measured in domestic currency.

A portion of the Company's premiums are written in US dollars and a portion of loss reserves are also in US dollars. In addition, premiums relating to the Emergency Travel Health line of business are remitted in Canadian dollars but a significant portion of the claims incurred for this line of business are in US dollars. A portion of the Company's cash and investments are also held in US dollars.

In general, the Company attempts to manage foreign exchange risk on liabilities by investing in financial instruments denominated in the same currency as the financial liabilities which they back. The Company may, nevertheless, from time to time experience losses resulting from fluctuations in the value of the US dollar, which could adversely affect operating results.

The table below illustrates the expected impact on net income and OCI of a 10% change in the Canadian dollar ("CAD") compared to the US dollar ("USD") as at December 31, 2008. Computations of the prospective effects of hypothetical foreign exchange changes are based on numerous assumptions, including the maintenance of the existing level and composition of financial assets and financial liabilities, and should not be relied on as indicative of actual or future results.

Change in CAD / USD rate	Effect on Net Income	Effect on OCI*
10% rise	(\$665)	\$100
10% decline	665	(108)

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Capital management

Capital is comprised of the Company's shareholders' equity and bank indebtedness. As at December 31, 2008, the Company's shareholders' equity was \$118,604 and bank indebtedness was \$19,550. The Company's objectives when managing capital are to maintain financial strength and protect its claims paying abilities, to maintain creditworthiness and to maximize returns to shareholders over the long term.

A common measure of capital adequacy in the property and casualty industry used by management is the ratio of premiums to surplus (or shareholders' equity). A lower ratio implies a higher measure of capital adequacy. The Company's ratio as at December 31, 2008 is 1.3:1. This level is well below the 2.5:1 ratio considered by management to be the maximum acceptable ratio.

The Company's Canadian insurance subsidiary, Echelon, is required to maintain minimum capital levels as required by the Office of the Superintendent of Financial Institutions. As at December 31, 2008 and 2007, the Company exceeded the minimum regulatory capital requirement. Legislation applicable to insurance companies imposes certain restrictions on the Company's ability to pay dividends.

9 Fixed assets

	2008			2007		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Furniture and equipment	\$1,577	\$ 663	\$ 914	\$ 533	\$ 459	\$ 74
Computer hardware	293	211	82	253	153	100
Computer software	<u>3,029</u>	<u>1,653</u>	<u>1,376</u>	<u>2,318</u>	<u>1,242</u>	<u>1,076</u>
	<u>\$4,899</u>	<u>\$2,527</u>	<u>\$2,372</u>	<u>\$3,104</u>	<u>\$1,854</u>	<u>\$1,250</u>

10 Share capital

	2008	2007
Authorized		
Unlimited common shares		
Unlimited special shares issuable in Series		
Issued		
11,676,282 common shares		
(2007 - 9,682,152 common shares)	\$67,056	\$46,040

In July 2008, the Company issued rights to eligible holders of outstanding common shares of the Company of record on July 4, 2008, to subscribe for and purchase from the Company an aggregate of 1,943,630 common shares, at a price of \$10.75 per share.

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Completion of the rights offering on July 31, 2008, resulted in issuance of 1,943,630 common shares for \$20,773 in net proceeds. The Company intends to use the proceeds for general corporate purposes.

During 2008, 50,500 (2007 - 43,000) common shares were issued pursuant to the exercise of employee stock options, with an issue cost of \$4.82 (2007 - \$4.82) per share.

11 Employee stock option plan

The Company sponsors a stock option plan. The stock option plan provides for the issuance of shares of the Company's common stock not exceeding 10% of the total issued and outstanding shares (on a non-diluted basis) and shares reserved for issuance under employee stock option plans, options for services and employee stock purchase plans. The Board of Directors determines the terms and conditions of the awards under the stock option plan as well as any award allocations.

For the year ended December 31, 2008, the Company recorded a compensation expense of \$186 (2007 - \$123), with an offsetting credit to contributed surplus. During 2008, 50,500 (2007 - 43,000) stock options were exercised. All stock options granted are for a term of five years with varying vesting periods.

The following is a continuity schedule of stock options outstanding as at December 31, 2008 and 2007:

	Number of shares		Weighted average exercise price per share	
	2008	2007	2008	2007
Outstanding, beginning of year	825,500	681,750	\$ 7.79	\$ 6.07
Granted during year	127,750	186,750	9.11	13.26
Exercised during year	(50,500)	(43,000)	4.23	4.23
Outstanding, end of year	<u>902,750</u>	<u>825,500</u>	<u>\$ 8.18</u>	<u>\$ 7.79</u>

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As at December 31, 2008, the outstanding stock options consist of the following:

<u>Stock Option price per share</u>	<u>Number</u>	<u>Remaining contractual life</u>	<u>Number of options exercisable</u>
\$4.23	330,500	0.8 years	236,500
\$5.09	45,000	1.3 years	27,000
\$10.61	90,500	1.8 years	-
\$10.31	6,750	2.3 years	-
\$9.26	70,500	2.8 years	-
\$9.65	45,000	3.0 years	18,000
\$11.03	3,000	3.3 years	-
\$11.68	20,000	3.6 years	-
\$12.80	26,750	3.6 years	4,000
\$11.68	10,000	3.6 years	6,000
\$12.34	45,000	3.7 years	-
\$14.26	92,000	3.8 years	-
\$13.89	6,750	4.0 years	-
\$13.20	3,000	4.3 years	-
\$11.80	6,750	4.4 years	-
\$10.65	6,000	4.6 years	-
\$10.47	6,750	4.7 years	-
\$8.03	81,750	4.8 years	-
\$6.35	6,750	5.0 years	-

The fair values of the stock options issued in 2008 were determined using the Black-Scholes option pricing model with the following assumptions: (i) risk-free rate of 2.0%; (ii) life expectancy of four years; (iii) estimated volatility of 30%; and (iv) dividend yield of 1.7%. The grant-date fair value of total options granted is estimated at \$1,085. The weighted average grant-date fair value of stock options granted to date is \$1.04.

12 Related party transactions

The Co-operators Group Limited and Co-operators General Insurance Company (collectively Co-operators), significant shareholders of the Company, provide services to the Company, including but not limited to product distribution and investment management services. Direct written premiums derived from Co-operators' agents was \$12,564 (2007 - \$15,180), commissions paid were \$1,493 (2007 - \$1,744) and investment management fees were \$200 (2007 - \$175).

The Company holds deposits of \$1,421 (2007 - \$2,781) under the terms of a 2001 100% Quota Share reinsurance treaty with Co-operators General Insurance Company, with income resulting from the investment of these deposits for their account. Reinsurers' share of unpaid claims includes a recoverable of \$1,714 (2007 - \$2,058) from Co-operators General Insurance Company. The payable to insurance companies balance includes amounts due to Co-operators General Insurance Company of \$1,426 (2007 - \$2,790).

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13 Income taxes

The income tax expense (recovery) is as follows:

	<u>2008</u>	<u>2007</u>
Current	\$3,453	\$7,839
Future	(476)	32
	<u>\$2,977</u>	<u>\$7,871</u>

The provision for income taxes reflects an effective rate, which differs from the corporate tax rate as follows:

	<u>2008</u>	<u>2007</u>
Combined basic Canadian federal and provincial income tax rate	33.5%	36%
Income tax expense at statutory rates	\$2,998	\$8,257
Permanent differences	(16)	(226)
Future income tax rate changes	212	(2)
Other	(217)	(158)
	<u>\$2,977</u>	<u>\$7,871</u>

Future income taxes are comprised of the following:

	<u>2008</u>	<u>2007</u>
Losses carried forward	\$ 273	\$ 26
Provision for unpaid claims	2,896	2,774
Investments	(326)	(520)
Deferred costs	152	329
Fixed assets	177	65
	<u>\$3,172</u>	<u>\$2,674</u>

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Income taxes included in OCI

The amounts included in the consolidated statements of changes in shareholders' equity and comprehensive (loss) income for the years ended December 31 are shown net of the following tax benefit:

Tax impact on:

	2008	2007
Change in unrealized gains and losses	\$(5,215)	\$ (299)
Reclassification to net income of (gains) and losses	1,729	(1,242)
Total income tax benefit included in OCI	\$(3,486)	\$(1,541)

14 Bank indebtedness

On October 11, 2007, the Company entered into a non-revolving term loan facility with a major Canadian bank in the amount of \$19,550. The facility has a term of three years, bearing an interest rate of 6.20%. During the term of the loan, monthly payments will include interest only and on maturity a balloon payment of \$19,550 will be made to settle the principal amount.

15 Lease commitments

The Company is committed under lease agreements for office premises and computer equipment with minimum lease payments of \$9,245 as follows:

2009	\$1,090
2010	954
2011	926
2012	904
2013	936
2014 and thereafter	4,435
	\$9,245

16 Structured settlements

In the normal course of claims adjudication, the Company may settle certain long-term losses through the purchase of annuities (structured settlements) from life insurance companies. The fair value of these annuity contracts amounts to \$7,677 (2007 - \$4,105) using a discount rate of 3.45% (2007 - 5.00%). It is the policy of the Company to purchase annuities from life insurers with proven financial stability. The net risk to the Company is the credit risk related to the life insurance companies and this risk is reduced to the extent of coverage provided by Assuris, the life insurance compensation insurance plan. The Company has determined that no credit risk provision is required.

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17 Contingencies

From time to time, in connection with its insurance operations, the Company is named as a defendant in actions for damages and costs allegedly sustained by the plaintiffs. While it is not possible to estimate the outcome, such actions have generally been resolved with minimal damage or expense in excess of amounts provided as policy liabilities. The Company does not believe that it will incur any significant additional loss or expense in connection with such actions.

18 Rate regulations

The Company writes business subject to rate regulation, including non-standard automobile and motorcycle insurance, which comprises approximately 65% of net premiums written. The Company's automobile insurance premiums can be impacted by mandatory rate rollbacks and mandatory rate assessments as legislated by provincial law and by regulation in certain provinces. This could result in lower future premium rates or reductions to premium rates charged by the Company in prior years. In addition, the Company is required, under certain provincial legislation, to participate in risk sharing pools, which may impact positively or negatively on underwriting results. Certain benefit payments are also subject to provincial government regulation, including automobile accident benefits.

The Company is not aware of any proposed or pending rate rollbacks related to prior years.

19 Earnings per share

	2008	2007
Basic earnings per share:		
Net income available to shareholders	\$ 5,979	\$15,065
Average number of common shares (in thousands)	10,532	9,655
Basic earnings per share	\$ 0.57	\$ 1.56
Diluted earnings per share:		
Average number of common shares (in thousands)	10,532	9,655
Average number of common shares obligation under employee stock option plan (in thousands)	814	761
Average number of diluted common shares (in thousands)	11,346	10,416
Diluted earnings per share	\$ 0.53	\$ 1.45

20 Segmented information

The Company operates through three segments. The Personal Lines and Niche Products divisions operate in Canada while the International division assumes premiums from U.S. resident companies that specialize in the non-standard automobile market. Through its Personal Lines division, the Company is engaged primarily in the underwriting of high premium, non-standard automobile insurance. Through its Niche Products division, the Company designs and underwrites specialized non-auto insurance programs, such as higher premium property,

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primary and excess liability, legal expense, accident and health insurance and warranty coverage.

The effect of reinsurance is reflected in the revenue and results of the three divisions. The investment activities consist of managing the investment portfolio for the Company as a whole. Investment income is shown net of investment expenses. The corporate and other activities include holding company expenses not attributable to a division. Interest expense represents interest on bank indebtedness.

	Year ended December 31	
	2008	2007
Revenue		
Earned premiums and other revenue		
Property and casualty insurance		
Canada - Personal Lines	\$ 98,665	\$ 87,700
- Niche Products	46,009	23,900
	<u>144,674</u>	<u>111,600</u>
International (United States)	12,581	8,006
	<u>157,255</u>	<u>119,606</u>
Interest and dividends, net of investment expense	12,136	9,759
Realized investment (losses) gains	(4,833)	3,350
Foreign exchange gains (losses)	2,706	(155)
Total revenue	<u>\$167,264</u>	<u>\$132,560</u>
Income (loss) before income taxes		
Property and casualty insurance		
Canada - Personal Lines	\$ 7,058	\$ 10,664
- Niche Products	(3,183)	297
	<u>3,875</u>	<u>10,961</u>
International (United States)	(2,404)	(17)
Corporate and other	(1,308)	(703)
Underwriting income	163	10,241
Interest and dividends, net of investment expense	12,136	9,759
Realized investment (losses) gains	(4,833)	3,350
Foreign exchange gains (losses)	2,706	(155)
Interest expense	(1,216)	(259)
Total income before income taxes	<u>\$ 8,956</u>	<u>\$ 22,936</u>

21 Comparative figures

Certain comparative figures have been reclassified to conform with the current consolidated financial statement presentation.