

EGI Financial Reports Strong Fourth Quarter Profits

TORONTO, February 25, 2011 - EGI Financial Holdings Inc. ("EGI Financial") (TSX: EFH) today announced its results for the three and twelve months ended December 31, 2010.

Q4 Financial Highlights

- Total comprehensive income of \$5.4 million compared to a loss of \$(5.1) in the fourth quarter of 2009
- Net income of \$3.3 million from a loss of \$(2.3) million in the fourth quarter of 2009
- Net income per fully diluted share of \$0.26 compared to a loss of \$(0.19) in the fourth quarter of 2009
- A 16% increase in net earned premiums over the fourth quarter of 2009
- Investment income of \$3.7 million – excluding realized gains, investment income was \$3.3 million versus \$2.7 million in the fourth quarter of 2009
- A 10% increase in book value from the end of the fourth quarter of 2009 – book value at December 31, 2010, is \$146 million, or \$12.14 per share
- An 8% increase in the total fair value of the investment portfolio (including premium finance receivables) to \$398 million during the quarter

"We are pleased to report our third consecutive profitable quarter," said Steve Dobronyi, Chief Executive Officer of EGI. "Our underwriting results continue to improve and, in the fourth quarter, we reached our profitability target by recording a combined ratio of 95%. These results are evidence that the remedial actions taken over the past six to twelve months to restore the profitability of the business are having the desired effect."

"Both our Personal Lines and Niche Products divisions recorded an underwriting profit for the quarter," continued Mr. Dobronyi. "This is our fourth consecutive quarter of improved underwriting performance and we're pleased to be ahead of where we expected to be at this point in time. The increase in earned premiums demonstrates that our company continues to grow but at a controlled and more manageable rate."

"Our balance sheet remains strong and our regulated entities are well capitalized," added Mr. Dobronyi. "We have a high quality investment portfolio, no goodwill and no debt. These attributes all contribute to our A.M. Best issuer credit rating of bb+."

"Going forward, our priorities are clear," Mr. Dobronyi concluded. "The Ontario automobile market remains in disrepair, which provides opportunities for specialty insurers such as EGI. We will protect our core non-standard automobile business through optimum service to our producers and the sophisticated selection of risk. We will diversify by product through the growth of our Niche Products

division and by geography through our start-up U.S. operation and expansion into underserved segments of the Canadian market. We expect 2011 to provide a number of compelling opportunities for enhanced growth and profitability and we have the right team in place to capitalize on them as they arise.”

Financial Summary

\$000s (except per share amounts)	3-months ended Dec. 31, 2010	3-months ended Dec. 31, 2009	% Change	12-months ended Dec. 31, 2010	12-months ended Dec. 31, 2009	% Change
Direct written premiums	37,054	39,303	(6)	185,671	163,862	13
Net earned premiums	42,121	36,439	16	162,873	149,379	9
Underwriting income (loss)	2,058	(9,454)	122	(9,823)	(9,339)	(5)
Interest expense	-	302	(100)	568	1,212	(53)
Investment income	3,721	6,476	(43)	17,581	17,771	(1)
Net income	3,323	(2,347)	242	4,233	4,515	(6)
Comprehensive income	5,361	(5,081)	206	12,337	14,084	(12)
Net income per diluted share	0.26	(0.19)	237	0.33	0.36	(8)
Book value per share	12.14	11.12	9	12.14	11.12	9

Fourth Quarter Highlights

Total comprehensive income was \$5.4 million compared to a loss of \$(5.1) in the fourth quarter of 2009. Net income was \$3.3 million versus a loss of \$(2.3) million in the fourth quarter of 2009.

Underwriting income for the fourth quarter of 2010 was \$2.1 million. Both the Personal Lines and Niche Products division reported an underwriting profit and a significant improvement over the fourth quarter of 2009. Remedial actions taken to restore profitability are having the desired effect.

Underwriting Income (loss)* \$millions	3-months ended Dec. 31, 2010	3-months ended Dec. 31, 2009	12-months ended Dec. 31, 2010	12-months ended Dec. 31, 2009
Personal Lines	\$0.5	\$(4.5)	\$(7.5)	\$(0.7)
Niche Products	\$2.0	\$(3.5)	\$0.2	\$(3.4)
International	\$(0.2)	\$(1.1)	\$(1.3)	\$(3.9)

* Excluding head office overhead costs

In Personal Lines, the company targeted incurred claims in the Greater Toronto Area, in an effort to restore the profitability of Ontario private passenger business. These initiatives included significant premium rate increases, changes to underwriting guidelines, the cancellation and rehabilitation of certain brokers, reduced commissions in select areas, the introduction of a maximum 6-month policy term and, as a last resort, judicial use of the Ontario risk sharing pool.

In Niche Products, the improved underwriting results are due to greater underwriting discipline, a renewed attention to our Niche Products operating principles and more active management at the program level, such as the repricing or cancellation of underperforming programs.

In the fourth quarter of 2010, net earned premiums increased by 16% over the fourth quarter of 2009.

Direct written premiums decreased by 6% in the fourth quarter compared to the same period in 2009. The majority of the decline in written premiums is temporary and due to management's decision to renew all Ontario private passenger policies with a maximum six-month term, effective November 1, 2010. This initiative was undertaken to accelerate the impact of premium rate increases, while also increasing administrative fees associated with six-month policies. There was also a small decrease in written premiums in the Niche Products division which is the result of the cancellation of several unprofitable programs during 2010.

Investment income was \$3.7 million during the fourth quarter. Excluding realized gains, investment income was \$3.3 million versus \$2.7 million in the fourth quarter of 2009.

12-Month Review

For the twelve months ended December 31, 2010, the Company recorded net income of \$4.2 million, compared with net income of \$4.5 million in the same period of 2009. During the year an underwriting loss of \$9.8 million was incurred, an increase of \$0.5 million from the twelve months ended December 31, 2009.

EGI's underwriting performance has improved quarter over quarter throughout 2010 as evidenced by the combined ratios below.

Combined Ratio	3-months ended Dec. 31, 2009	3-months ended Mar. 31, 2010	3-months ended June 30, 2010	3-months ended Sep. 30, 2010	3-months ended Dec. 31, 2010
Personal Lines	116%	114%	105%	108%	98%
Niche	142%	113%	108%	97%	79%
EGI Overall	126%	115%	108%	107%	95%

EGI's target profitability is for a 95% combined ratio and this target was achieved in the fourth quarter of 2010.

Direct written premiums increased by 13% to \$186 million for the year ended December 31, 2010. Direct written premiums for the Personal Lines division increased by 14% to \$134 million. The increase in premium volume is due to hardening conditions in the Ontario personal auto market and the growth of ancillary product lines, partially offset by remedial actions to deter unprofitable business and improve underwriting results. In the Niche Products division, direct written premiums increased by 13% to \$51 million. The majority of the increase came from the Commercial Auto product line.

For the year ended December 31, 2010, shareholders' equity increased by 10% to \$146 million.

As at December 31, 2010, Echelon's Minimum Capital Test (MCT) ratio was 250% compared to the P&C insurance industry average Minimum Capital Test ratio of 237% (as per Office of the Superintendent of Financial Institutions' (OSFI) third-quarter 2010 information).

EGI's Net Written Premiums-to-Capital ratio is a conservative 1.1:1. EGI intends to preserve and grow its underwriting capital through appropriate pricing, underwriting discipline and conservative loss reserving practices.

Selected pages from EGI's unaudited Financial Statements, along with supplementary information regarding the Company's quarterly results, are attached to this press release.

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).

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 2011 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.

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

	December 31 2010	December 31 2009
Assets		
Cash and short-term deposits	17,033	46,885
Investments	353,643	294,365
Reinsurers' share – unearned premiums	6,471	4,972
– provision for unpaid claims	36,152	38,736
Accounts receivable	31,712	32,950
Due from insurance companies	7,352	5,545
Deferred policy acquisition costs	15,979	14,807
Property and equipment	414	838
Intangible assets	531	468
Future income taxes	4,135	3,952
Prepaid expenses and other assets	1,361	2,947
	474,783	446,465
Liabilities		
Bank indebtedness	–	19,550
Provision for unpaid claims	239,036	207,220
Unearned premiums	78,335	72,643
Unearned commission	728	513
Income taxes payable	2,394	4,151
Accounts payable and accrued liabilities	4,824	6,312
Payable to insurance companies	2,093	1,829
Other liabilities	1,007	816
	328,417	313,034
Shareholders' Equity		
Share capital	69,087	68,618
Contributed surplus	532	403
Retained earnings	64,534	60,301
Accumulated other comprehensive income	12,213	4,109
	146,366	133,431
	474,783	446,465

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

	2010	2009
Revenue		
Direct written and assumed premiums	185,671	163,862
Net written and assumed premiums	167,066	149,745
Net earned premiums	162,873	149,379
Investment income	17,581	17,771
	180,454	167,150
Expenses		
Incurred claims	119,130	108,194
Acquisition costs	35,834	34,429
Operating costs	17,732	16,095
Interest expense	568	1,212
	173,264	159,930
Income before income taxes	7,190	7,220
Income tax expense	2,957	2,705
Net income	4,233	4,515
Other comprehensive income (loss), net of taxes		
Change in unrealized gains on available-for-sale securities:		
Net unrealized gains (losses) on available-for-sale investments	12,183	14,344
Reclassification of net realized (gains) losses to net income	(3,487)	(4,250)
Unrealized losses on translation of financial statements of self-sustaining foreign operations	(592)	(525)
Other comprehensive income (loss)	8,104	9,569
Total comprehensive income (loss)	12,337	14,084
Earnings per share		
Net income per share – basic	\$0.35	\$0.38
Net income per share – diluted	\$0.33	\$0.36

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

	2010	2009
Share capital		
Balance, beginning of year	68,618	67,056
Common shares issued	469	1,562
Balance, end of year	69,087	68,618
Contributed surplus		
Balance, beginning of year	403	403
Stock options – granted (net of forfeitures)	263	191
– exercised	(134)	(191)
Balance, end of year	532	403
Retained earnings		
Balance, beginning of year	60,301	56,605
Net income	4,233	4,515
Dividends – Common shares	–	(819)
Balance, end of year	64,534	60,301
Accumulated other comprehensive income (loss)		
Balance beginning of year	4,109	(5,460)
Other comprehensive income (loss)	8,104	9,569
Balance, end of year	12,213	4,109
Shareholders' equity, end of year	146,366	133,431

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

	2010	2009
Cash provided by (used in):		
Operating activities		
Net income	4,233	4,515
Items not involving cash:		
Amortization	953	1,326
Amortization of premiums on bonds	900	736
Realized and unrealized (gains) losses on investments	(5,065)	(6,860)
Increase (decrease) in accrued investment income	(135)	97
Other	356	191
	1,242	5
Cash flow from changes in		
Reinsurers' share of unearned premiums	(1,499)	(1,260)
Reinsurers' share of unpaid claims	2,584	3,165
Accounts receivable	1,238	(5,385)
Income taxes recoverable	–	7,202
Due from insurance companies	(1,807)	3,518
Accounts payable and accrued liabilities	(818)	1,682
Provision for unpaid claims	31,816	21,965
Unearned premiums	5,692	1,489
Income taxes payable	(5,617)	(742)
Future income taxes	(183)	(780)
Prepaid expenses and other assets	1,586	1,258
Deferred policy acquisition costs	(1,172)	(104)
	33,062	32,013
Financing activities		
Repayment of bank indebtedness	(19,550)	
Issue of common shares	242	1,371
Common share dividends	–	(819)
	(19,308)	552
Investing activities		
Acquisition of subsidiary, net of cash acquired	22	–
Purchases of property and equipment and intangible assets	(592)	(260)
Purchase of investments	(382,899)	(256,454)
Sale/maturity of investments	339,863	241,923
	(43,606)	(14,791)
Increase in cash and short-term deposits	(29,852)	17,774
Cash and short-term deposits, beginning of year	46,885	29,111
Cash and short-term deposits, end of year	17,033	46,885
Supplementary information		
Income taxes paid	9,095	4,392
Interest paid	684	1,215

SUPPLEMENTARY INFORMATION BY DIVISION (Unaudited)

(\$THOUSANDS)	For the three months ended December 31, 2010				For the three months ended December 31, 2009			
	Canada			International	Canada			International
	Personal Lines	Niche Products	Total		Personal Lines	Niche Products	Total	
Direct written premium	26,527	10,373	36,900	155	27,759	11,544	39,303	–
Underwriting revenue	32,429	9,610	42,039	82	27,757	8,385	36,142	296
Underwriting income (loss)	508	1,977	2,485	(222)	(4,516)	(3,525)	(8,041)	(1,069)
Loss ratio	71.8%	39.3%	64.4%	N/A (1)	88.1%	96.2%	90.0%	344.3%
Expense ratio	26.6%	40.1%	29.7%	N/A (1)	28.2%	45.8%	32.2%	116.2%
Combined ratio	98.4%	79.4%	94.1%	N/A (1)	116.3%	142.0%	122.2%	460.5%
Prior year development (deficiency) redundancy	(59)	279	220	377	(191)	(762)	(953)	(590)

(\$THOUSANDS)	Full Year 2010				Full Year 2009			
	Canada			International	Canada			International
	Personal Lines	Niche Products	Total		Personal Lines	Niche Products	Total	
Direct premiums written	134,042	51,423	185,465	206	117,994	46,570	164,564	(702)
Underwriting revenue	123,525	39,190	162,715	158	104,978	39,104	144,082	5,296
Underwriting income (loss)	(7,461)	181	(7,280)	(1,316)	(717)	(3,366)	(4,083)	(3,930)
Loss ratio	78.3%	59.9%	73.8%	N/A (1)	72.0%	66.3%	70.5%	126.0%
Expense ratio	27.7%	39.6%	30.6%	N/A (1)	28.7%	42.4%	32.4%	48.2%
Combined ratio	106.0%	99.5%	104.4%	N/A (1)	100.7%	108.7%	102.9%	174.2%
Prior year development (deficiency) redundancy	1,733	1,245	2,978	1,113	3,692	(1,816)	1,876	(1,164)

(1) Due to the minimal earned premium in the International division the ratios are not meaningful.