

**The Dominion of Canada General Insurance Company ("The Dominion")
Q2 2009 Financial Summary ***

Net income for the second quarter of 2009 was \$23.7 million (\$17.7 million in 2008). The increase over the prior year's second quarter is due to higher net realized investment gains, partly offset by a deterioration in underwriting results. The second quarter's combined ratio was 116.6% (101.4% in 2008). The second quarter's combined ratio, excluding the effects of changes in the claims discount rate, was 109.8% compared to 106.1% in 2008. The deterioration is mainly due to an increase in claims incurred for large losses on property lines and for automobile accident benefits.

Net loss for the first six months of 2009 was \$124.6 million, compared to net income of \$14.8 million in 2008. The net loss is due mainly to a realized loss on the redemption of common equity pooled fund units (first recognized as an impairment provision in the first quarter of 2009) and a deterioration in underwriting results. The year to date combined ratio was 112.7% in 2009 (107.5% in 2008). The year to date combined ratio, excluding the effects of changes in the claims discount rate, was 108.2% (105.4% in 2008). The increase over prior year reflects an increase in claims incurred for large losses on property lines and an increase in claims frequency on all lines.

Management's assessment of industry dynamics, risks and risk management, critical accounting estimates and strategy for The Dominion remains consistent with Management's Discussion and Analysis ("MD&A") in the 2008 annual report.

The Dominion's financial results for the second quarter and first six months of 2009 and 2008 are summarized as follows (figures in the tables may differ from the text due to rounding):

(millions of dollars)

For the three months ended June 30	Automobile		Personal Property		Commercial Property & Casualty		Total		
	2009	2008	2009	2008	2009	2008	2009	2008	
Gross premiums written	\$ 211	\$ 196	\$ 67	\$ 59	\$ 57	\$ 61	\$ 335	\$ 316	
Growth rate %	7.6	4.5	12.0	7.0	(5.5)	2.4	5.9	4.6	
Mix of business %	63	62	20	19	17	19	100	100	
Loss ratio %	85.5	67.6	95.5	92.9	70.6	50.9	84.9	69.4	
Loss ratio % - excluding change in discount rate	76.6	74.0	93.6	92.9	66.1	54.6	78.1	74.1	
Revenue									
Net premiums earned							\$ 267	\$ 252	
Premium finance fee							4	3	
Interest and dividends							21	23	
Net realized gains on investments							52	2	
								344	280
Expenses									
Claims expense							226	175	
Other expenses, including premium taxes							84	81	
Income tax expense							11	6	
								321	262
Net income								\$ 23	\$ 18

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(millions of dollars)

For the six months ended June 30	Automobile		Personal Property		Commercial Property & Casualty		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Gross premiums written	\$ 364	\$ 340	\$ 111	\$ 100	\$ 107	\$ 110	\$ 582	\$ 550
Growth rate %	6.9	4.3	11.0	6.6	(2.3)	4.5	5.8	4.8
Mix of business %	63	62	19	18	18	20	100	100
Loss ratio %	81.7	78.0	88.4	85.9	70.7	56.9	81.1	75.7
Loss ratio % - excluding change in discount rate	76.2	76.1	87.1	85.3	66.4	53.1	76.6	73.6
Revenue								
Net premiums earned							\$ 530	\$ 505
Premium finance fee							6	5
Interest and dividends							43	45
Net realized gains (losses) on investments and impairment provision							(172)	7
							407	562
Expenses								
Claims expense							429	382
Other expenses, including premium taxes							167	160
Income tax expense (recovery)							(64)	5
							532	547
Net income (loss)							\$ (125)	\$ 15

Total gross premiums written increased in the second quarter by 5.9%, compared to the second quarter of 2008, consisting of an increase in written policies of 2.2%, an increase in average premiums of 3.2% and a 0.5% increase from The Dominion's share of Facility Association business. Year to date gross premiums written increased by 5.8%, consisting of a 2.1% increase in written policies, a 3.9% increase in average premiums and a 0.2% decrease from The Dominion's share of Facility Association business. The year to date increase in policies written is net of a decrease of 0.9% from the termination of competitor-owned brokers referred to in the 2008 Annual MD&A.

The second quarter loss ratio of 84.9% increased 15.5 points from the prior year's second quarter; 11.5 points of the increase results from the effects of changes in the claims discount rates in the second quarter of 2009 (which increased the quarter's loss ratio by 6.8 points) and in the second quarter of 2008 (which reduced the prior year's second quarter loss ratio by 4.7 points). The claims discount rate is changed each quarter as a result of changes in the current market yields on investments, mostly bonds, which are held by The Dominion to fund policy liabilities. Excluding the effect of changes in claims discount rates, the second quarter loss ratio was 78.1% in 2009, compared to 74.1% in 2008. The 4.0 point deterioration year over year reflects higher claims incurred for large losses on property lines and for automobile accident benefits.

The year to date loss ratio of 81.1% is 5.4 points higher than the prior year, of which 2.4 points are due to changes in claims discount rates. Changes in claims discount rates increased year to date claims incurred by \$23.9 million, compared to a \$10.4 million increase the first six months of 2008. The remaining 3.0 point deterioration in the loss ratio reflects higher claims incurred for large losses in personal and commercial property and higher frequency in all lines of business.

Automobile

Gross premiums written increased 7.6% in the second quarter compared to the prior year's second quarter. The increase consists of a 3.6% increase in policies written and a 3.4% increase in average premiums on The Dominion's business and a 0.6% increase from The Dominion's share of Facility Association business. On a year to date basis, the 6.9% increase in gross premiums written consists of a 3.1% increase in policies written and a 4.3% increase in average premiums, partly offset by a 0.5% decrease from Facility Association business. Rates for personal automobile have been increasing in all regions, more than offsetting a decrease in average premiums for commercial automobile which have continued to be pressured by "soft" market price competition. The deterioration in the quarter and year to date loss ratios, excluding changes in discount rates, reflects an increase in claims incurred for accident benefits and a modest increase in frequency for automobile claims in general.

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Personal property

Gross premiums written this quarter increased 12.0%, consisting of a 1.0% increase in policies written and an 11.0% increase in average premiums per policy. Year to date gross premiums written increased 11.0% as a result of a 1.4% increase in policies written and a 9.6% increase in average premiums. The increase in average premiums reflects increases in rates in all regions and an increase in estimated insured values which are used to compute premiums. Excluding the impact of changes in discount rates, the loss ratios for the second quarter and for the year to date increased over the loss ratios of the comparable periods of the prior year as a result of higher claims costs for large losses.

Commercial property, casualty and surety

Gross premiums written decreased 5.5% compared to the second quarter of 2008, consisting of a 1.2% decrease in policies written and a 4.3% decrease in average premiums. Year to date premiums decreased 2.3% consisting of a 0.7% decrease in policies written and a 1.6% decrease in average premiums. The decrease in average premiums is as a result of increased sales of small business commercial package policies (which have lower average premiums). The year over year increase in the loss ratios for the second quarter and year to date, excluding the effects of changes in discount rates, is mainly due to higher claims costs for large losses and for weather-related claims.

Expenses

The 2009 expense ratio for the second quarter is 31.7% (32.0% in 2008) and for year to date is 31.6% (2008 – 31.8%). Growth in net premiums earned exceeded increases in operating costs, resulting in a slight reduction in the expense ratio.

Investments, cash flow and capital

Investment income (interest and dividends) before tax was \$20.9 million for the quarter, a decrease of \$2.2 million over the prior year's second quarter. On a year to date basis, investment income before tax was \$43.2 million, a decrease of \$1.5 million over the prior year. The decrease in income reflects a decrease in the average portfolio balance (on an amortized cost basis). The year to date annualized investment yield, on an amortized cost basis, remained consistent with the prior year at 3.9%.

On a year to date basis, The Dominion incurred a net realized loss on the sale of investments before tax of \$171.6 million (net realized gains of \$6.7 million in 2008) consisting of a \$224.8 million net realized loss before tax in the first quarter and a net realized gain of \$53.2 million in the second quarter. As a result of the decision to redeem the equity pooled fund units and transfer the management of the common stock portfolio to a different third party investment management firm, an impairment provision was recognized in net income in the first quarter of 2009 in the amount of \$226.1 million before tax, based on the units' fair values as of March 31, 2009. On April 27, 2009, the pooled fund units were redeemed at which time the impairment provision was reversed and a realized loss of \$194.8 million before tax, based on the proceeds of redemption, was recognized in net income. The resulting \$31.3 million difference between the reversal of the first quarter impairment provision and the redemption proceeds, is included in the second quarter's net realized gains. Also included in the second quarter's realized gains is \$17.1 million before tax resulting from trades undertaken by the newly appointed investment manager, to reposition the common stock portfolio in line with its strategy. The rest of the second quarter's net realized gains resulted from bond trades in the normal course of business.

Total cash and investments increased by \$126.7 million year to date, mostly due to increases in the fair values of available for sale securities, compared to an increase of \$11.4 million in the prior year to date. Operating cash flow was \$25.6 million for the second quarter (\$47.1 million in 2008), bringing the year to date operating cash flow to \$5.1 million (\$51.8 million in 2008).

The Dominion's regulatory solvency test (the Minimum Capital Test, or "MCT") result is estimated to be 195% at the end of the second quarter (183% at March 31, 2009 and 182% at December 31, 2008). The increase is due to increases in the market values of The Dominion's investments in both common and preferred shares and bonds. The federal regulator of financial institutions has established a supervisory target MCT result of 150% to provide a safety buffer above the legally required minimum MCT of 100%. The Dominion's capital has exceeded the legally required minimum and the supervisory target during 2009 to the date of this report.

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Other comprehensive income

Other comprehensive income ("OCI") was \$50.8 million for the second quarter (compared to a loss of \$10.2 million in the second quarter of 2008). This quarter's OCI reflects an increase in the market values of bonds and preferred and common share investments. On a year to date basis, OCI was \$260.9 million compared to a loss of \$24.7 million in the prior year. The year to date OCI consists of \$60.2 million unrealized gains and a \$200.7 million reclassification adjustment, most of which arose from the transfer to net income of the loss resulting from the redemption of the pooled fund units.

Substantively enacted tax changes and unused tax losses

As discussed in the 2008 annual report's MD&A, unused capital losses for tax purposes, and deductible temporary differences that will become unused capital losses for tax purposes when realized, were not recognized in The Dominion's financial statements at December 31, 2008. This was based on tax laws that were in effect on December 31, 2008 which permitted these losses to be applied only against future taxable capital gains. On March 4, 2009, proposed amendments to the Income Tax Act (Canada) became substantively enacted for accounting purposes. Under the amendments, the unrecognized capital losses are re-characterized as income losses which may, therefore, be carried forward against future regular taxable income, such as underwriting income and interest income. In addition, the unused losses have become 100% deductible as income losses, instead of being 50% deductible as capital losses. Management's assessment is that the unused tax losses are now, therefore, recoverable and have been recognized in The Dominion's financial statements in the first quarter of 2009. The material effects of the substantively enacted tax changes, as of March 4, 2009, were substantially all related to the unrealized losses on the pooled fund units and resulted in an increase in income tax recovery and net income of \$84.8 million, an increase in the future tax asset of \$76.0 million, and increases in current tax balances for the difference. The impact is higher than the estimate that was provided in the 2008 Annual Report's MD&A, which was based on December 31, 2008 values, as a result of further unrealized losses on the pooled fund units incurred from January 1 to March 4, 2009.

Outlook

Price hardening in the Canadian P&C industry in personal and commercial lines is expected to continue in 2009. Claims costs continue to outpace earned price increases and this may not reverse until after 2009, resulting in deteriorating loss ratios for the year. Investment income will likely be volatile while a global recession runs its course. Management expects that improvement in industry results will likely occur in 2010, if not in late 2009. The Dominion continues to pursue long term earnings growth by maintaining underwriting discipline and reasonable pricing throughout all phases of the market cycle.

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