EGI Financial Holdings Inc.

EGI Financial Announces Third Quarter Results

TORONTO, November 7, 2013 - EGI Financial Holdings Inc. ("EGI" or "the Company") (TSX: EFH), which operates in the property and casualty insurance industry in Canada, the United States and Europe, today reported net income of $2.4 million from continuing operations, or $0.22 per diluted share, for the three months ended September 30, 2013.

All operating results below refer to continuing operations.

Quarterly Highlights

- Net operating income from continuing operations of $0.32 per share compared to $0.23 per share in the third quarter of 2012.
- A loss of $0.64 per share on the U.S. operations, consisting of an operating loss of $0.15 per share and a loss on the sale of the business of $0.49 per share
- Underwriting income from continuing operations of $1.2 million, compared to $0.5 million in the third quarter of 2012.
- A combined operating ratio of 98% from continuing operations compared to 99% in the third quarter of 2012
- 17% increase in direct written premiums from continuing operations over the same period in 2012 to $62.7 million
- An increase of $0.25 in book value per share from continuing operations, less $0.64 per share for the U.S. results, resulting in a book value per share of $13.98

"We are very pleased with the continued profitability of our company as we transition EGI into a more focused organization", stated Steve Dobronyi, Chief Executive Officer of EGI. "Our core Personal Lines business continues to perform well, having now generated an underwriting profit in 11 of the past 12 quarters. All geographic regions contributed to the current quarter's results."

"Our other lines of business, while not meeting our full profitability targets, also provided support", Mr. Dobronyi continued. "Despite a small impact from natural disasters, active Specialty Programs reported an underwriting profit. Our European operations continue to exceed expectations, having now produced $59 million of premium year to date and its second consecutive quarter of underwriting profits. While it is still early and future quarterly results may vary, we are very excited by the outlook for this business."

"The exit from the U.S. and the discontinued Niche Product lines will allow the company to concentrate on its profitable core businesses. We expect to close the U.S. transaction before the end of this year, and we're looking forward to focusing our resources on Canada and Europe, building EGI into a growing and consistently profitable company."

Financial Summary

$000s (except per share amounts)	3 months ended Sept. 30, 2013	3 months ended Sept. 30, 2012	% Change	9 months ended Sept. 30, 2013	9 months ended Sept. 30, 2012	% Change
Direct written premiums	62,706	53,561	17.0	194,067	156,497	24.0
Net earned premiums	50,711	42,062	20.6	145,726	122,924	18.5
Underwriting income (loss)	1,157	459	152.1	1,722	(949)	281.5
Investment income	2,506	20,659	(87.9)	12,921	28,940	(55.4)
Net income on continued operations	2,440	14,012	(82.6)	11,209	18,218	(38.5)
Net operating income(1)	3,798	2,745	38.4	9,638	7,343	31.3
Net income per diluted share	$0.22	$1.18	(81.4)	$0.95	$1.57	(39.5)
Net operating income per diluted share(2)	$0.32	$0.23	39.1	$0.80	$0.61	31.1
Book value per share	$13.98	$13.58	2.9			

(1) Net operating income (attributable to shareholders) is defined as net income plus or minus after-tax impact of change in discount rate on unpaid claims, realized losses or gains on sale of investments and unrealized fair value changes on Fair Value Through Profit or Loss (FVTPL) investments excluding non-controlling interest.

(2) Net operating income is adjusted to that attributable to shareholders for per share calculation.

Third Quarter Review

Net operating income of $3.8 million was recorded in the quarter, compared to net operating income of $2.7 million in the third quarter of 2012. The increase was due to an increase in underwriting income to $1.2 million from $0.5 million for the same period in 2012.

Personal Lines generated an underwriting profit of $3.3 million. Quebec, Eastern Canada and Ontario all made strong contributions to the results. Ontario Motorcycles continued to show positive results for the 2013 accident year, although this is a highly volatile line of business and few large claims can have a dramatic impact. A small loss was incurred on Recreational Vehicles due to the seasonality of the product.

Active Specialty Programs produced a small underwriting gain. Favourable prior year reserve development and profits on Warranty were offset by a few large Commercial Property losses. Discontinued Niche Products incurred an underwriting loss of $1.2 million, primarily due to several claims for liquor liability and errors & omissions. The largest expense was on a particularly complex liability claim, which is now closed.

International produced a small underwriting profit for the quarter. The performance was due to higher earned premiums reducing the expense ratio as well as improved results on the Warranty business. It generated significant growth in written premiums of 116% or $10.7 million, compared to the third quarter last year.

Overall, direct written premiums increased overall by 17.1%, attributable primarily to the increase in writings in the International division.

Investment income was $2.5 million compared to $20.7 million in Q3 of 2012, due to realized gains of $17.4 million in 2012 from the reorganizing of the investment portfolio. Total return on invested assets for the quarter was $3.0 million and a market yield adjustment on the actuarial reserves of $0.7 million partially mitigated the impact. The fair value of EGI's investment portfolio, including financing receivables, was $446 million, up 10.3% compared to September 30, 2012.

Operating expenses increased $0.1 million or 2% to $6.3 million, despite a 21% increase in earned premiums.

On a consolidated basis, net favourable development of prior year claims of $1.3 million was recorded in the third quarter of 2013 compared to positive development of $1.2 million in the same period in 2012.

Overall net income was $2.4 million, compared to net income of $14.0 million for the same period last year, primarily due to higher underwriting income, higher net realized gains in investment income and higher net favourable development of prior year claims.

Operating Results

	3 months ended Sept. 30, 2013	**3 months ended Sept. 30, 2012**	**9 months ended Sept. 30, 2013**	**9 months ended Sept. 30, 2012**
Underwriting Income (Loss)[1] $000s				
Personal Lines	3,258	3,552	6,619	8,848
Specialty Programs				
− Active	81	446	(964)	1,169
− Cancelled	(1,167)	(1,937)	(2,123)	(6,008)
International	50	(716)	731	(2,393)
Key Operating Ratios				
Claims ratio[2]	61.1%	60.3%	62.2%	63.2%
Expense ratio	36.6%	38.6%	36.6%	37.6%
Combined ratio	97.7%	98.9%	98.8%	100.8%
Combined Ratio[2]				
Personal Lines	89.1%	88.6%	92.6%	90.6%
Specialty Programs	112.1%	117.1%	112.1%	119.1%
International	99.6%	133.8%	97.6%	169.3%

(1) Excluding head office overhead costs and impact of change in discount rate on unpaid claims
(2) Claims ratio excludes impact of change in discount rate on unpaid claims

Nine-Month Review

Net operating income of $9.6 million was recorded for the nine months ended September 30, 2013, compared to net operating income of $7.3 million in the same period of 2012.

Underwriting income of $1.7 million was generated versus an underwriting loss of $0.9 million for the same period in 2012. This was mainly due to an increase in underwriting profit of $3.1 million in the International division; $1.8 million increase in Specialty Programs, partially offset by a $2.2 million decrease in underwriting profit in Personal Lines compared to the same period in 2012.

Direct written premiums increased overall by 24%, attributable primarily to a significant $40.1 million increase in written premium from the International division. The increase in written premium of $0.6 million for the Specialty Programs divisions was offset by a $3.1 million decrease for Personal Lines. Growth of Specialty Programs was primarily attributable to the expansion into Western Canada. The decline for Personal Lines premiums was primarily due to a decrease in written premiums in Ontario auto.

Investment income was $12.9 million compared to $28.9 million in the first nine months of 2012, due to Increased realized gains in 2012 from the reorganization of the investment portfolio. Including unrealized gains, total return on invested assets was $7.8 million.

Operating expenses increased $0.4 million or 2.2%, despite an 18.5% increase in earned premiums.

On a consolidated basis, net favourable development of prior year claims of $5.5 million was recorded in the first nine months of 2013 compared to favourable development of $3.3 million in the same period in 2012.

Overall net income was $11.2 million, compared to net income of $18.2 million for the same period last year, primarily due to lower net realized gains in investment income offset by higher underwriting losses.

Capital Management

At the end of Q3 2013, Echelon General's Minimum Capital Test (MCT) ratio was 227%, which is well in excess of internal targets and the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI). In the quarter, EGI's European subsidiary received a $5.3 million capital injection from EGI to strengthen its regulatory ratios. All other regulated entities remain well-capitalized.

Including the excess capital in Echelon General, EGI has approximately $35 million of excess capital in the holding company and its Barbados reinsurance company, CIM Re.

As at November 7, 2013, the Company has purchased and cancelled 277,000 common shares under its normal course issuer bid programs for a total consideration of $2.9 million. Share repurchases were $0.5 million for the three months ended September 30, 2013.

For the three months ended September 30, 2013, total shareholders' equity decreased by $4.8 million to $163.0 million from June 30, 2013.

Full Financial Statements and Management's Discussion and Analysis (MD&A) are available on SEDAR and on the Company's web site at www.egi.ca.

About EGI

Founded in 1997, EGI operates in the property and casualty insurance industry in Canada, the United States and Europe, primarily focusing on non-standard automobile insurance and other specialty general insurance products. EGI's common shares are traded on the Toronto Stock Exchange under the symbol EFH.

Non-IFRS Financial Measures

EGI uses International Financial Reporting Standards (IFRS) and certain non-IFRS measures to assess performance. Readers are cautioned that non-IFRS measures do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other companies. EGI analyzes performance based on operating income and underwriting ratios such as combined, expense and loss ratios.

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 for 2013 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's control, affect the operations, performance and results of EGI and its business and could cause actual results to differ materially from the expectations expressed in any of this forward-looking information.

EGI does not undertake to update any forward-looking information. Additional information about the risks and uncertainties about EGI's business is provided in its disclosure materials, including its Annual Information Form and Management Discussion & Analysis, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

Conference Call

A conference call for analysts and interested listeners will be held on Friday, November 8, 2013, at 11:00 a.m. (ET). The call-in numbers for participants are 647-427-7450 or toll free 1-888-231-8191, Conference ID 80552700. A live audio feed of the call will be available online through the Company's website at www.egi.ca, or directly at http://www.newswire.ca/en/webcast/detail/1238641/1364547

A replay of the call will be available until November 15, 2013. To access the replay, call 416-849-0833, or toll free 1-855-859-2056, enter password 80552700.

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