EGI Financial Holdings Inc.

EGI Financial Reports fourth quarter and year end results

TORONTO, February 20, 2014 - EGI Financial Holdings Inc. ("EGI" or "the Company") (TSX: EFH), which operates in the property and casualty insurance industry in Canada and Europe, today reported net income of $1.2 million on continuing operations, or $0.16 per diluted share, for the three months ended December 31, 2013.

All operating results below refer to continuing operations.

Fourth Quarter 2013 Highlights

- Net operating income of $0.08 per share compared to $0.30 per share in the fourth quarter of 2012
- An underwriting loss of $4.3 million for the quarter, including a reserve strengthening of $4.5 million for the discontinued Specialty programs
- A combined operating ratio of 107% compared to 93% in the fourth quarter of 2012
- A 50% increase in direct written premiums over the same period in 2012 to $74.3 million, driven by the increase in premiums in the International division
- Total pre-tax return on invested assets of $8.3 million in the quarter compared to $2.7 million in the fourth quarter of 2012
- An increase in book value per share of 4.2% in the quarter to $14.57 per share

"We are satisfied with EGI's fourth quarter accomplishments," stated Steve Dobronyi, Chief Executive Officer of EGI. "Our core Personal Lines business generated a combined ratio of 93% and has now recorded an underwriting profit in 12 of the past 13 quarters. All product lines and geographies contributed to the quarter's strong performance. Even more importantly, we finalized the transaction to exit the U.S., and we declared a quarterly dividend to our shareholders."

"The strong results in Personal Lines were offset by balance sheet strengthening in Specialty Programs. Due to continued soft market conditions, further actions have been taken to reduce the exposure to Commercial Property and Liability insurance sold through managing general agents, and additional provisions have been set aside to more fully provide for claims associated with the run-off product lines."

"The International division continues to perform exceptionally well," continued Mr. Dobronyi. "In 2013, direct written premiums grew to $94 million. Profitability continues to track well and, in only its second full year of operation, it is already making a positive contribution to EGI's underwriting results."

"EGI, as a company, is now stronger than ever," concluded Mr. Dobronyi. "Our balance sheet is stronger and our business is more focused. We are looking forward to building on this solid base in 2014. We will continue to direct our efforts at growing our core Personal Lines business in Canada and generating underwriting profitability in our International division start-up operation. We will continue to invest in our business and our people. We will grow organically and plan to accelerate our strategies through targeted acquisitions."

Dividend

The Board of Directors declared a quarterly dividend of 10 cents per outstanding common share. The dividend is payable on April 1, 2014, to shareholders of record on March 10, 2014.

Financial Summary

$000s (except per share amounts)	3 months ended Dec. 31, 2013	3 months ended Dec. 31, 2012	% Change	12 months ended Dec. 31, 2013	12 months ended Dec. 31, 2012	% Change
Direct written premiums	74,300	49,513	50%	268,367	206,010	30%
Net earned premiums	59,738	43,084	39%	205,464	166,008	24%
Underwriting income (loss)	(4,309)	3,131	(238)%	(2,587)	2,182	(219)%
Investment income	4,791	4,738	1%	17,712	33,678	(47)%
Net income	1,158	5,672	(80)%	12,367	23,890	(48)%
Net operating income(1)	937	3,605	(74)%	10,575	13,231	(20)%
Net income per diluted share	$0.16	$0.49	(67)%	$1.11	$2.06	(46)%
Net operating income per diluted share (2)	$0.08	$0.30	(73)%	$0.96	$1.18	(19)%
Book value per share	$14.57	$13.98	4%	$14.57	$13.98	4%

(1) Net operating income 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, discontinued operations, unrealized fair value changes on Fair Value Through Profit or Loss (FVTPL) investments and one time non recurring charges.

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

Fourth Quarter Review

Net operating income of $0.9 million or $0.08 per share was recorded in the quarter, compared to $3.6 million or $0.30 per share in the fourth quarter of 2012. The decrease was due to an underwriting loss of $4.3 million compared to an underwriting profit of $3.1 million for the same period in 2012.

Personal Lines generated an underwriting profit of $2.1 million. Quebec, Eastern Canada and Motorcycle all made strong contributions to the results. Ontario Auto had a smaller underwriting profit compared to the same period in 2012, primarily due to increased claims frequency as a result of severe winter driving conditions experienced in Ontario in the quarter.

Active Specialty Programs recorded a $0.3 million underwriting gain. Favourable prior year reserve development and profits on Warranty were offset by a few large Commercial Property losses. Discontinued Specialty Programs incurred an underwriting loss of $5.3 million, including $4.5 million of reserve strengthening to more fully provide for claims associated with the run-off product lines in addition to several claims for liquor liability and errors & omissions. The goal is to be fully reserved for the run-off of these programs and for no further deterioration in the future. As a result, our future Specialty Program results will be reported to include all cancelled programs and not be split between active and cancelled programs.

The International division produced an underwriting loss of $0.3 million for the quarter. The performance was due to higher earned premiums reducing the expense ratio as well as improved results on the Warranty business offset by a $2.7 million increase in current year reserves of the UK motor business. To date, the International division remains on track with its business plan on the key measures of premiums, expenses and claims.

Direct written premiums increased by 50%, attributable primarily to a $25.6 million or 275% growth in the International division.

Investment income was strong at $4.8 million in line with the $4.7 million in the fourth quarter of 2012. The total pre-tax return on invested assets was $8.3 million in the quarter compared to $2.7 million in the fourth quarter of 2012. The fair value of EGI's investment portfolio, including finance receivables, was $480.8 million, up 10% from the beginning of the year.

Operating expenses excluding restructuring charges incurred in the fourth quarter in 2012, increased by 16% over the year far lower than the 39% increase in net earned premiums. As a result EGI's operating expense ratio decreased by 2.2% compared to the fourth quarter of 2012.

On a consolidated basis, a net unfavourable development of prior year claims of $0.7 million was recorded in the fourth quarter of 2013 compared to favourable development of $2.6 million in the same period in 2012.

Overall net income was $1.2 million, an 80% decrease compared to the same quarter last year, primarily due to a decrease in underwriting income from the strengthening of reserves.

Operating Results

Underwriting Income (Loss)[1] $000s	**3 months ended Dec. 31, 2013**	**3 months ended Dec. 31, 2012**	**12 months ended Dec. 31, 2013**	**12 months ended Dec. 31, 2012**
Personal Lines	2,058	6,097	8,677	14,945
Specialty Programs				
- Active	296	196	(647)	2,381
- Cancelled	(5,319)	(555)	(7,463)	(7,579)
Total	(5,023)	(359)	(8,110)	(5,198)
International	(338)	(1,506)	393	(3,899)

Key Operating Ratios	**3 months ended Dec. 31, 2013**	**3 months ended Dec. 31, 2012**	**12 months ended Dec. 31, 2013**	**12 months ended Dec. 31, 2012**
Loss ratio[2]	69.5%	52.8%	64.3%	60.5%
Expense ratio	37.7%	39.9%	36.9%	38.2%
Combined ratio	107.2%	92.7%	101.2%	98.7%

Loss Ratio[2]	**3 months ended Dec. 31, 2013**	**3 months ended Dec 31, 2012**	**12 months ended Dec 31, 2013**	**12 months ended Dec 31, 2012**
Personal Lines	62.3%	49.8%	63.2%	58.1%
Specialty Programs	96.3%	51.5%	74.2%	66.4%
International	66.4%	78.3%	60.0%	71.9%

(1) *Excluding head office overhead costs and impact of change in discount rate on unpaid claims*

(2) *Loss ratio excludes impact of change in discount rate on unpaid claims*

Twelve-Month Review

Net operating income of $10.6 million was recorded for the year ended December 31 2013, compared to net operating income of $12.3 million in the same period of 2012.

An underwriting loss of $2.6 million was reported versus an underwriting profit of $2.2 million for the same period in 2012. This was mainly due to an improvement in International offset by a decrease in Ontario Auto and reserve strengthening in the run-off of discontinued Niche Product lines.

Direct written premiums increased overall by 30%, attributable primarily to a significant $65.7 million increase in written premium from the International division. The increase in written premium of $1.4 million for Specialty Programs was offset by a $4.7 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 $17.7 million compared to $33.7 million in 2012, due to increased realized gains in 2012 from the reorganization of the investment portfolio. Including unrealized gains, total pre-tax return on invested assets was $14.3 million.

There was no increase in operating expenses, despite a 24% increase in earned premiums.

On a consolidated basis, net favourable development of prior year claims of $4.8 million was recorded in 2013 compared to favourable development of $5.8 million in 2012.

Net income for the year was $12.4 million or a 48% decrease from the prior year. The reduction in net income was primarily due to lower underwriting income in Personal Lines and the Specialty Programs in addition to lower net realized gains on investments.

Capital Management

The Minimum Capital Test (MCT) ratio of EGI's Canadian subsidiary, Echelon General Insurance Company, as at December 31, 2013, was 219%, which comfortably exceeds the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI).

In addition to excess capital at Echelon, the Company has approximately $30 million of excess deployable capital invested in liquid assets in the holding company and in its Barbados reinsurance company, CIM Re. In February 2014, EGI committed to a $6.0 million capital injection to its European subsidiary to support its strong premium growth and strengthen its regulatory ratios. All regulated entities remain well-capitalized.

For the twelve months ended December 31, 2013, total shareholders' equity increased by $3.9 million to $170.5 million from December 31, 2012, primarily due to net income of $12.4 million offset by discontinued U.S. operations loss of $8.6 million. No shares were repurchased in the fourth quarter. For the twelve months ended December 31, 2013, share repurchases were $2.9 million.

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 and Europe, primarily focusing on non-standard automobile insurance and other specialty P&C 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 2014 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 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, February 21, 2014, 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 38000211. 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/1291091/1424485

A replay of the call will be available until February 28, 2014. To access the replay, call 416-849-0833, or toll free 1-855-859-2056, enter password 38000211.

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