EGI Financial Holdings Inc.

Annual Information Form

(in respect of the financial year ended December 31, 2012)

MARCH 15, 2013

Table of Contents

Unless otherwise indicated, all information in this Annual Information Form ("AIF") is presented as at and for the year ended December 31, 2012, and amounts are expressed in Canadian dollars.

Unless otherwise indicated or the context otherwise requires, references to "EGI" refer to EGI Financial Holdings Inc. and its subsidiaries, while references to the "Company" refer to EGI Financial Holdings Inc. itself, both now and in its predecessor forms.

A glossary of terms used but not otherwise defined in this AIF is set out at the end of this document.

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this AIF may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this AIF, such statements use such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this AIF. Forward-looking statements involve significant risks, uncertainties and assumptions, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results, performance or achievements discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". Although the forward-looking statements contained in this AIF are based upon what management of the Company believes, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this AIF, and the Company undertakes no obligation to update or revise them to reflect new events or circumstances.

For additional information with respect to these and other risks or factors, reference should be made to the Company's continuous disclosure materials and documents filed from time to time with Canadian securities regulatory authorities, available at www.sedar.com.

CORPORATE STRUCTURE

The Company

EGI Financial Holdings Inc. (the "Company") was formed by Articles of Amalgamation dated January 11, 2005, under the laws of the Province of Ontario on the amalgamation of Canadian Insurance Marketing Inc. ("CIMI") with its then wholly-owned subsidiary, EGI Financial Holdings Inc. CIMI was originally incorporated by Articles of Incorporation dated August 18, 1997, under the laws of the Province of Ontario.

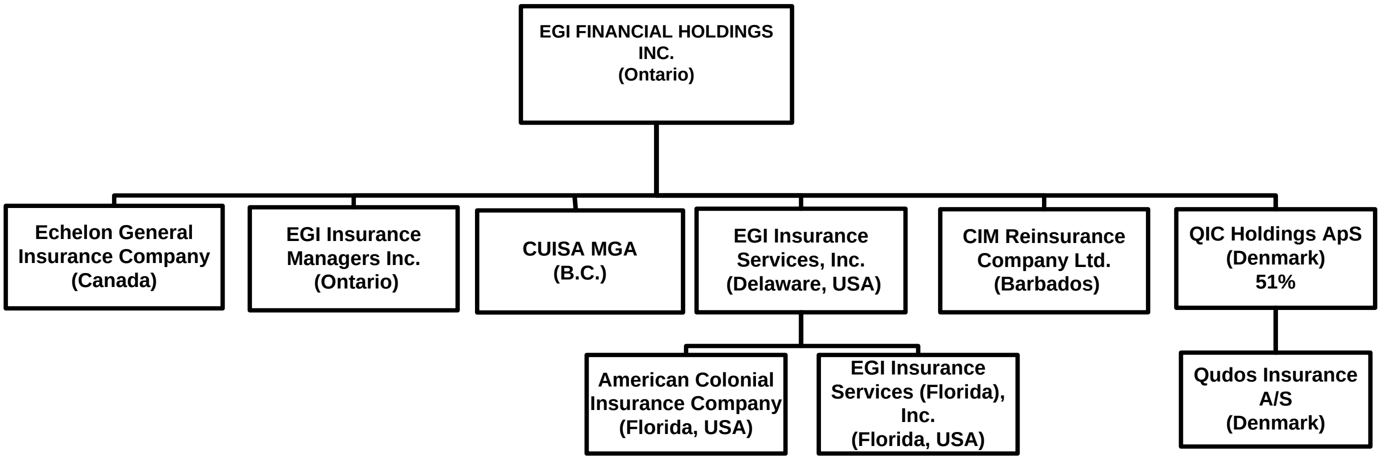
EGI conducts business in Canada through its subsidiary, Echelon General Insurance Company ("Echelon").

EGI conducts business in the United States through American Colonial Insurance Company and in Europe through Qudos Insurance A/S.

EGI's corporate head office and registered office is located at 2680 Matheson Blvd. E., Suite 300, Mississauga, Ontario L4W 0A5.

Inter-corporate Relationships

The following diagram sets out the subsidiaries of the Company as at December 31, 2012, including the jurisdiction of incorporation of such subsidiary. All subsidiaries are wholly-owned other than QIC Holdings ApS.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

EGI operates in the property and casualty ("P&C") insurance industry in Canada, the United States and Europe. The Company focuses primarily on non-standard automobile insurance and other niche and specialty general insurance products. Founded in 1997 as an insurance and reinsurance broker and marketer, EGI has since developed its business to focus on underwriting opportunities not served by many of the larger, standard insurers.

In March 2010, the Company acquired American Colonial Insurance Company ("ACIC"), then an inactive insurer licensed in several south-eastern states. At the end of the first quarter 2010, Echelon Insurance Company of America ("EICA") and ACIC were amalgamated to continue business under the ACIC name. The amalgamated company is currently pursuing premium growth in Florida and has discontinued writing business in Texas during 2012.

In October 2011, the Company acquired a controlling interest in QIC Holdings ApS ("QIC"), a Danish holding company with a wholly-owned subsidiary, Qudos Insurance A/S ("Qudos"), a newly-incorporated non-life insurance company, based in Copenhagen, Denmark. The minority shareholders of QIC are Brian M. Clausen and Russell J. English, who have primary responsibility for sourcing insurance business for Qudos. Mr. Clausen and Mr. English collectively have over 60 years of experience in European insurance and reinsurance, primarily in niche program business.

On May 1, 2012, the Company acquired CUISA Managing General Agency Corporation ("CUISA MGA"), a British Columbia specialty insurance operation. CUISA MGA was established in 1996 and provides insurance services to 160 credit-union-owned insurance broker offices in British Columbia. It provides brokers with access to insurance markets and unique products that they would have difficulty accessing individually. CUISA MGA has developed and offers a broad range of personal and commercial lines products, and has been an authorized distributor for EGI's subsidiary, since 2006.

DESCRIPTION OF THE BUSINESS

General

EGI operates two businesses in Canada – Personal Lines and Niche Products. Personal Lines focuses on the underwriting of EGI's non-standard automobile insurance, and insurance for motorcycles, antique and classic vehicles, trailers, motor homes and recreational vehicles. Niche Products designs and underwrites specialized insurance programs, such as higher premium property, primary and excess liability, legal expense and accident and health insurance for a variety of businesses and consumers and extended warranty coverage for homes, consumer products and heavy equipment.

EGI reorganized its Canadian Division operations in the third quarter of 2012, integrating the operations of Personal Lines and Niche Products into one unit. The reorganization is intended to promote:

- A more integrated team approach and focused strategic direction
- More effective sharing of best practices across our business
- Greater consistency in underwriting practices and discipline
- Standardized approaches to product pricing
- Uniformity in the number and types of products that we provide
- A coordinated national marketing approach for all business
- Synergies in operational efficiencies

Although these businesses operate as one unit for operational purposes, EGI intends to continue to disclose Personal Lines and Niche Products separately for financial segmentation.

Outside of Canada, EGI operates the U.S. and International businesses. The U.S. division is focused on non-standard automobile insurance in Southeastern United States. It is currently writing new business in Florida and has licenses in Georgia, Alabama and Louisiana. It previously wrote business in Texas but, more recently, has stopped accepting new applications and is non-renewing the existing business in accordance with State regulations.

In 2012, Qudos commenced writing business in various European countries, which is very similar in nature to the business underwritten by EGI's Niche Products in Canada. Qudos' head office is located in Copenhagen, Denmark, and it is regulated throughout Europe by the Danish Financial Services Authority ("DFSA"). Approximately one-third of Qudos' business will be reinsured by CIM Reinsurance Company Ltd., thereby retaining that portion of the business within EGI.

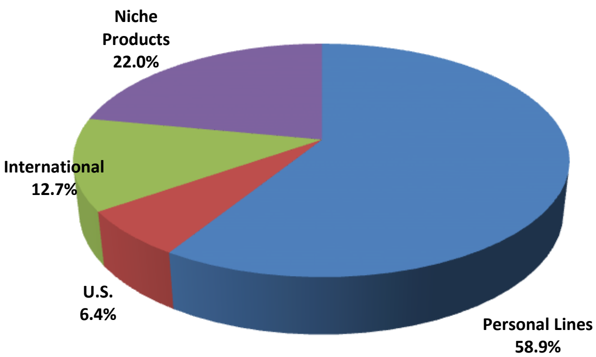
The business of EGI and its operating divisions, including critical accounting estimates and assumptions, is described in more detail in the Company's annual Management's Discussion & Analysis for the financial year ended December 31, 2012, which is incorporated by reference in this AIF.

Products and Services

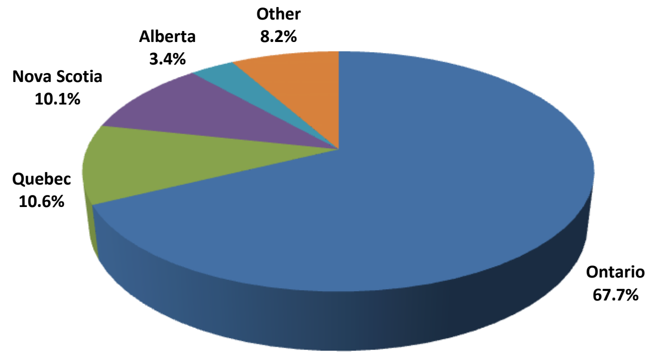
On an EGI-wide basis, 65% of gross written premiums in 2012 were attributed to the sale of Personal Lines automobile policies in Canada and the United States. Niche Products accounted for 22% of gross written premiums, and International accounted for 13%. EGI's core non-standard automobile businesses in Canada accounted for approximately 49% of total premiums written across EGI.

The breakdown of gross written premiums during 2012 is illustrated below.

2012 Gross Written Premiums by Division



2012 Gross Written Premiums in Canada



Personal Lines

Personal Lines non-standard automobile insurance is the largest single component of EGI's business. The non-standard automobile segment currently targeted is high premium insurance for drivers who, because of inexperience or a poor driving record, are not able to obtain insurance from standard insurers. EGI provides coverage for private passenger vehicles as well as single commercial vehicles and small commercial and farm fleets. Management believes that EGI's underwriting discipline, claims expertise, strict controls and experienced management team, who are well-versed in the nuances of non-standard auto, enable EGI to select those drivers in the higher premium categories who have a proportionally lower potential claims risk. Over the past several years, EGI has also expanded its reach into targeted, "grey" market segments (the market space between true non-standard and the cleanest of standard risks).

EGI targets drivers most likely to be "reformers" not "repeaters". These non-standard auto risks fall between the Facility Association and the applicants normally targeted by standard market insurers. The likely reformer expresses concern with respect to his or her poor driving record and will exhibit a sincere desire to improve (so as to re-enter the standard market at standard rates). EGI trains its brokers and agents to select qualifying risks. EGI then employs the experience of its underwriting personnel to ensure that complete and accurate underwriting and rating information has been developed.

EGI prices risks in defined segments by (i) utilizing actuarial analysis of its own as well as industry data; (ii) testing a broad range of variables; (iii) analysis of direct competitors' rates; and (iv) by seeking reliable predictors of future claims. Some of the variables used are age, class of driver, type and use of the vehicle, territory and prior driving history. EGI's proposed automobile rates must be filed with, and approved by, provincial insurance regulators before they are implemented. EGI continually monitors its loss experience and actively reprices its products as necessary.

EGI markets its Personal Lines products through insurance brokers and agents. In addition, EGI has a distribution agreement with The Co-operators General Insurance Company whereby Co-operators agents are permitted to distribute EGI's non-standard automobile products. Selection and monitoring of producers are significant factors in EGI's marketing strategy. As producers have significant influence over which insurance company's policies are offered to their customers, management regards its producers as key, frontline decision makers. In recent years, EGI has focused on appointing brokers and agents in rural and smaller urban centres as experience has shown that these areas are consistently more profitable. This strategy has resulted in enhanced underwriting margins that exceed the industry average.

EGI grants its brokers and agents limited authority to bind automobile insurance coverages in accordance with its guidelines. EGI promptly reviews all coverages bound by brokers and agents and decides whether to continue such coverages. All final underwriting decisions are made by EGI.

EGI compensates brokers based on a fixed percentage of premiums written. In addition, a contingent commission may be paid to brokers that meet certain targets such as premium volume and underwriting claims ratios.

In addition to non-standard auto insurance, EGI also writes other specialty auto insurance lines such as motorcycles, antique cars, trailers, motorhomes, snowmobiles and all terrain vehicles.

The non-standard automobile insurance business in Canada is relatively competitive. The size of the non-standard automobile segment varies over time, as standard market insurers adjust their pricing and underwriting rules. EGI's competitors in this market segment include Jevco Insurance Company, Perth Insurance Company and Pafco Insurance Company. Insurers compete on the basis of premiums, commission rates, underwriting rules, service levels and ease of transacting business.

EGI aims to maintain and grow its Personal Lines division business through the following strategies:

- Protect its dominant position in non-standard auto markets.
- Accelerate investments in technology to provide seamless interaction with distributors.
- Improve retention of its best customers through careful expansion into targeted “grey” market segments.
- Expand specialty auto products in Ontario, Alberta, Quebec and Nova Scotia.
- Leverage its recent purchase of CUISA MGA to build a stronger presence in Western Canada.
- Continue to develop sophisticated pricing techniques such as predictive analytics.

Niche Products

Niche Products provides specialized commercial and personal insurance products and programs. This division works with P&C insurance brokers, managing general agents (MGAs), warranty product distributors and third party administrators (TPAs) to design insurance solutions that respond to unique distribution opportunities and gaps in the insurance market created by traditional insurers' focus on standardized coverage. EGI seeks distributors who have developed a portfolio of business focused on a particular niche in the market. The distributor must have a demonstrable expertise to distribute, underwrite and administer the portfolio of business successfully. EGI combines its market research and underwriting skills with the distributor's specialized expertise to create consumer-oriented product offerings.

EGI has identified niche market segments within five product areas that offer opportunities for profitable growth: property insurance; commercial general liability and professional liability insurance; casualty insurance; accident and health insurance; and warranty products. EGI occasionally enters into risk-sharing agreements with distributors allowing them to participate as an underwriting risk partner. This helps to ensure the distributor's commitment to service and adherence to program and underwriting guidelines.

EGI has witnessed increased competition in the specialized niche markets in recent years, as soft market conditions prevail in many commercial property & casualty insurance markets. EGI's key competitors vary significantly by product and line of business.

U.S. Division

EGI operates in the United States through American Colonial Insurance Company (“ACIC”). ACIC is licensed to transact business in Florida, Georgia, Alabama and Louisiana. EGI has established an MGA in Florida to transact and manage business on behalf of the insurance company. EGI's management team has extensive past experience with the successful operation of U.S. non-standard auto carriers.

EGI began selling insurance in Florida and Texas in 2010 with a targeted breakeven period of 3 years. In September, 2012, EGI exited the Texas market as claims experience was not trending toward profitability as quickly as desired. Since 2010, a series of changes, such as underwriting restrictions and targeted premium rate increases, have been implemented in Florida. In addition, new regulatory reforms have been introduced that are expected to limit claims severity and legal costs.

The premium rate structure in the U.S. utilizes traditional rating variables such as territory, age, sex, marital status, driving record, and type of vehicle. However, EGI also calculates rates based on a combination of financial responsibility score, prior insurance and prior liability limits.

EGI distributes its U.S. products through independent agents. Agents are vetted and appointed by Field Marketing Representatives based on established criteria. Target market geographical areas are selected and prioritized for each Field Marketing Representative within their respective region of responsibility.

EGI processes new and renewal business through a fully automated, paperless system. It allows the agent to quote prospective clients and bind coverage with the initial payments for those policies being swept from the agency's bank account. It will verify the existence of prior insurance and run a motor vehicle report to uncover any traffic violations or accidents. Once the policies are issued, the agents are able to access the policies online and make changes to existing policies, or in the case of a customer, make a premium payment in the agent's office and request EGI to sweep the agency's account for the payment due.

The business is monitored through a sophisticated data mining system that allows EGI to view each agent's production and results on a variety of segmented measures. This process provides detailed information used to validate expected results with regard to risks written, claims experience and the like.

Automobile insurance written through independent agents is an extremely competitive segment in the U.S. Agents utilize comparative rating systems to compare the rates of several carriers to help determine where to place the business. Competition varies greatly by territory, although EGI's competitors are often small regional insurers.

International Division

In 2012, EGI began writing premiums in Europe through its investment in Qudos. Qudos' objective is to deliver superior return on equity through specialized insurance programs distributed through managing general agencies. With the advent of the European Union's Third Directive, the European insurance industry is essentially a single market.

As at December 31, 2012, the majority of the business is motorcycles, taxis, non-standard auto and home warranties in the United Kingdom and Denmark. Qudos' objective is to capitalize on disruptions in the European insurance, economic and regulatory environment to build a geographically diverse product portfolio that is capital efficient under the European Union's Solvency II regulatory framework.

Although the introduction of Solvency II has been postponed until 2014, insurers are already adjusting their underwriting and pricing in anticipation of the increase in required capital margins. Qudos has an advantage over its competitors in that, as a new entrant, it does not have any capital issues related to EU economic conditions and does not have any legacy issues associated with Solvency II. Qudos is already compliant with Solvency II.

The risks associated with a fast growing operation will be partially mitigated through quota share reinsurance with high quality external reinsurers. A portion of Qudos' business is reinsured to CIM Reinsurance Company, EGI's wholly owned captive reinsurance subsidiary, domiciled in Barbados.

Reinsurance

EGI has reinsurance treaties with several unaffiliated reinsurers, all of whom are selected on the basis of their credit worthiness. EGI purchases reinsurance to reduce its exposure to the insurance risks that it assumes in writing business.

In accordance with industry practice, EGI's reinsurance recoverables with licensed Canadian reinsurers are generally unsecured, because Canadian regulations require these reinsurers to maintain minimum asset and capital balances in Canada to meet their Canadian obligations. However, policy liabilities rank in priority to any subordinate creditors a reinsurer may have. For reinsurance recoverables with non-licensed reinsurers, EGI maintains security against reinsurance recoverables in the form of cash and letters of credit.

EGI depends upon the financial stability of its reinsurers in the same way that EGI's insureds rely upon EGI. EGI believes that there is currently adequate reinsurance capacity in those classes of business which EGI underwrites and EGI is not aware of any developments that might cause a serious shortage of capacity in the future.

Investment Management

EGI's investment objectives are to produce an attractive total return on its invested assets after taxes, to protect and enhance statutory underwriting capital on a long-term basis and to maintain adequate liquidity for insurance operations.

The two most important methods employed by EGI to reduce the level of risk while achieving attractive rates of return on its investment portfolio are diversification and the use of experienced investment professionals to manage the investment portfolio.

Diversification is achieved through principles that ensure each asset class has limited exposure by region, industry, issuer and type of underlying security. Target ranges are set for each asset class and are monitored by the Investment Committee to ensure that EGI's investment managers comply with these guidelines.

EGI outsources all trading decisions on individual securities to a small number of reputable and professional investment managers. The Investment Committee regularly monitors the performance of each manager and measures their performance against appropriate market index benchmarks.

Employees

As at December 31, 2012, EGI had 177 full-time employees. None of EGI's employees are subject to collective bargaining agreements.

Risk Factors

The risks inherent in EGI's operations are described in the Company's 2012 Management's Discussion and Analysis under the heading "*Risk Factors*" which is hereby incorporated by reference in this AIF and is available on SEDAR at www.sedar.com.

Insurance Regulatory Matters

While Echelon is federally regulated by OSFI, under the *Insurance Companies Act* (Canada), the marketing of insurance is regulated on a provincial and territorial basis in Canada. EGI's other insurance subsidiaries are subject to the insurance legislation and policies of the jurisdictions in which they each carry on business. Under such legislation and policies, EGI's affairs are regulated in many respects including the assets in which it may invest, the levels of capital and surplus and the standards of solvency that it must maintain, and the amount of dividends that it may declare and pay. Under such legislation, insurance administrators are given broad powers of administration and enforcement over insurers. The legislation and policies of different jurisdictions may not be consistent. Compliance with the capital standards of OSFI will generally satisfy the regulatory capital requirements of all Canadian jurisdictions.

The regulation of insurance policies, in particular auto insurance policies, varies significantly between different jurisdictions. Automobile accident benefits coverage is compulsory everywhere in Canada except Newfoundland. Collision insurance is optional in all jurisdictions in Canada other than Manitoba and Saskatchewan. In all provinces and territories except for Quebec, Manitoba, Saskatchewan and British Columbia, auto insurance is provided by private insurers. Manitoba, Saskatchewan and British Columbia require that basic auto insurance coverage be issued through their provincial government-owned insurer. In these provinces, the government and private insurers compete for optional and excess coverage. In Quebec, the government insurer administers bodily injury claims, while first and third party property damage claims are covered by private insurers. Similarly, in the United States, the rules governing auto insurance vary by state.

In Ontario, there are limited rights of recovery through lawsuits for death and serious injury. In Quebec and Manitoba, lawsuits are not permitted with respect to injuries sustained in auto accidents. Victims and their dependents resident in those provinces are compensated by their government insurer for their injuries whether or not the accident occurs in their home province. In Quebec, accident victims who do not reside there are entitled to compensation only to the extent that they are not responsible for the accident, unless otherwise agreed between the Quebec government insurer and authorities of the victims' place of residence; additional compensation may be available from their own insurers. The legislation in Manitoba contains provisions similar to those of Quebec.

American Colonial Insurance Company is domiciled in Florida. As a result, the State of Florida Department of Insurance is responsible for the day to day financial oversight and regulation of the company. Statutory financial statements must be filed quarterly and annually with the Florida Department of Insurance and with all other states where the company is licensed to transact business. The insurance regulatory authority of each state has its own laws and regulations relating to insurance companies and their operations, which must be followed by any entity underwriting business in that state. All states control the pricing and structure of automobile insurance and certain other products, including policy forms and pricing formats, which must be adhered to when offering insurance to consumers in their state. This regulation includes mandatory coverages and limits of liability that must be offered and which vary by state.

Qudos is domiciled in Denmark and is regulated by the DFSA. The DFSA is an independent authority under the Ministry of Economic and Business Affairs (OEM) and discharges its supervision in accordance with the Financial Business Act and other relevant legislation. The OEM can issue further regulation on the DFSA's supervisory procedures and may give instructions to the DFSA. The DFSA licenses insurers and insurance intermediaries under the terms of the Financial Business Act and has been delegated the authority by the OEM to approve mergers and acquisitions of insurance undertakings. It can also withdraw licenses or impose sanctions on entities for non-compliance with the Financial Business Act or their other regulatory obligations. It has regulatory powers to issue executive orders and guidelines under the Financial Business Act. However, the supreme decision-making bodies are the two financial councils, the Financial Business Council (FBC) and the Danish Securities Council (DSC). These Councils decide on supervisory matters of principle, as well as supervisory matters with significant financial consequences for financial undertakings, and advise the DFSA in connection with issuing regulation, as stated in the Financial Business Act. The DFSA adopts a risk-based supervisory approach. It engages in supervisory cooperation and information-sharing with other domestic and foreign regulators to achieve effective supervision. The DFSA is listed as a member on the International Association of Insurance Supervisors website. A critical component of the selection of Denmark as a suitable jurisdiction was the openness of the DFSA to high reinsurance cessions and fronting arrangements.

From a policyholder point of view, all policies issued by a Danish non-life insurance company are covered under the Guarantee Fund established in accordance with Danish law. The DFSA sets the level of contributions by the insurance companies, with a maximum contribution rate of 0.5% of gross premiums. The current levy is nil.

Solvency II which is now expected to be introduced in 2014 will set out new, strengthened EU-wide requirements on capital adequacy and risk management for insurers with the aim of increasing policyholder protection. The strengthened regime aims to reduce the possibility of consumer loss or market disruption in insurance.

NORMAL COURSE ISSUER BID

On March 30, 2012, the Company received approval from the TSX to commence a normal course issuer bid to repurchase and cancel up to 671,147 common shares, representing approximately 10% of its public float of issued and outstanding common shares at that time.

Up to March 14, 2013, the Company has purchased and canceled 174,200 common shares under the normal course issuer bid at an average cost of $9.15 per share for a total cost of $1.6 million.

The Company believes that it is in its best interest to purchase shares for cancellation because management believes the shares are trading at a significant discount relative to their value.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares of which 11,914,932 were issued and outstanding as of December 31, 2012. All outstanding Common Shares are fully paid and non-assessable.

The holders of the Common Shares are entitled to:

(a) one vote per Common Share on all matters to be voted on at all meetings of shareholders of the Company, except meetings at which only holders of a specified class of shares are entitled to vote;

(b) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, any dividends declared by the Company; and

(c) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, the remaining property of the Company upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

There are no pre-emptive, redemption, purchase or conversion rights attaching to the Common Shares.

MARKET FOR SECURITIES

The Company's Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "EFH".

The following chart provides information on the high and low sale prices and volume for the Common Shares of the Company on the TSX for the periods indicated.

Month	High	Low	Volume
January 2012	7.21	6.65	30,063
February 2012	7.69	7.00	64,448
March 2012	7.95	7.50	120,308
April 2012	8.84	7.75	46,154
May 2012	9.89	8.87	63,384
June 2012	9.75	9.30	531,397
July 2012	9.50	8.41	104,521
August 2012	9.10	8.70	82,881
September 2012	9.00	8.74	35,218
October 2012	8.97	8.75	44,007
November 2012	9.00	8.75	99,014
December 2012	9.41	8.31	64,504

There were no Common Shares issued on the exercise of options granted pursuant to the Company's Stock Option Plan. On December 12, 2012, 7,500 Restricted Share Units were exercised. 4,019 Common Shares were issued from treasury and the balance was settled by cash ($30,980).

DIRECTORS AND OFFICERS

The names and municipalities of residence of the directors and executive officers of the Company, positions held by them with the Company and their principal occupations for the past five years are as set forth below. Each of the directors will serve until the next annual meeting of shareholders.

Name and Municipality of Residence	**Current Office**(1)	**Principal Occupation**(2)	**Director Since**
Scott Clark Ontario, Canada	Director	President and CEO, Covington Capital Corporation, an investment management company	May 2002
Mary G. Connolly Ontario, Canada	Director	Self-employed Management Consultant	March 2006
Peter Crawford Ontario, Canada	Director	Retired Chief Financial Officer and Treasurer of the Co-Operators Group	January 2013
G. Mark Curry Ontario, Canada	Director	Chairman and President, Revmar Inc., an investment holding company	May 2002
Patrick Hodgson Ontario, Canada	Director	President of Cinnamon Investments, a private investment company	May 2012
Paul F. Little (3) Ontario, Canada	Director	President, Westover Investments Inc., a private investment company	January 2003
Douglas E. McIntyre Ontario, Canada	Director and Vice Chairman of the Board	Vice Chairman of the Company	August 2001
Robert Purves (4) Ontario, Canada	Director and Chairman of the Board	Chairman, Purves Redmond Limited, an insurance brokerage firm	August 1997
Angus Ross Ontario, Canada	Director	Independent consultant on reinsurance and environmental issues	January 2013
Bruce West Ontario, Canada	Director	Executive Vice-President, Finance and Chief Financial Officer, Co-operators Group Limited, an insurance company	June 2007
Steve Dobronyi Ontario, Canada	Chief Executive Officer	Chief Executive Officer of the Company	
Alvin Sharma (5) Ontario, Canada	Chief Financial Officer and Secretary	Chief Financial Officer of the Company	

(1) Office is with the Company unless otherwise indicated.

(2) During the past five years each of the foregoing directors and executive officers has been engaged in the principal occupation shown opposite his or her name, except as follows: (ii) Up to 2011, Douglas E. McIntyre was the Chief Executive Officer of the Company; (ii) Robert Purves was also President, RPL Holdings Inc., President, COS Insurance Services Inc. and a director and Secretary of Iridium Risk Services Inc.; (iii) Steve Dobronyi joined EGI as President and Chief Operating Officer and was appointed Chief Executive Officer in January 2011; prior to joining EGI, Mr. Dobronyi was Senior Vice President, Business Development and Senior Vice President, Affinity Markets at Manulife Financial; and (iv) prior to his appointment as Chief Financial Officer of the Company in September 2012, Alvin Sharma was Vice President, Global Treasury at American Life Insurance Company and

Director, Global Treasury Services at RBC Capital Markets. From 2004 to 2010 he was employed at Sun Life Financial; (v) until 2009, Mr. Hodgson was a partner in KJ Harrison and Partners (portfolio manager); since 2009, Partner, Stornoway Capital Partners Inc. (distress debt fund manager); and until February 2011, Chairman, Todd Shipyards Corporation (ship building).

(3) Stepped down as Chairman of the Board December 31, 2012.

(4) Was appointed Chairman of the Board effective January 1, 2013.

(5) Was appointed Secretary effective January 1, 2013; the position previously held by Scott Clark.

As of March 14, 2013, the directors and executive officers of the Company as a group, beneficially owned, directly or indirectly, or exercised control or direction over 5,292,291 Common Shares, representing approximately 44.4% of the outstanding Common Shares.

Bruce West is an officer of Co-operators General Insurance Company, which, as of March 14, 2013, beneficially owned together with its affiliates 2,027,912 Common Shares, representing approximately 17% of the outstanding Common Shares.

Scott Clark is an officer of Covington Fund II Inc., which, as of March 14, 2013, beneficially owned 1,770,848 Common Shares, representing approximately 14.8% of the outstanding Common Shares.

Committees of the Board of Directors

The Board of Directors of the Company (the "Board") has established three Board committees: the Audit and Risk Committee, the Governance Committee and the Investment Committee. The information below sets out the current members of each of the Company's Board committees.

Governance Committee

The Governance Committee consists of four members, all of whom are independent Directors, currently comprised of Bruce West (Chair), Scott Clark, Mary Connolly, and Peter Crawford.

Investment Committee

The Investment Committee consists of five members, all of whom are independent Directors, currently comprised of Scott Clark (Chair), Mark Curry, Patrick Hodgson, Paul F. Little and Douglas E. McIntyre.

Audit and Risk Committee

The Audit and Risk Committee has been structured to comply with the requirements of National Instrument 52-110 Audit Committees ("NI 52-110") of the Canadian Securities Administrators.

Composition of Audit and Risk Committee

As at December 31, 2012, the Audit and Risk Committee was composed of the following persons:

Robert Purves (Chair)
Mary Connolly
G. Mark Curry
Patrick Hodgson
Bruce West

The current members of the Audit and Risk Committee are: Peter Crawford (Chair), Mary Connolly, Patrick Hodgson, Angus Ross and Bruce West.

The Board has determined that each of the Audit and Risk Committee members is unrelated, independent and financially literate within the meaning of NI 52-110.

A copy of the Audit and Risk Committee Charter is appended hereto as Appendix A.

<u>Relevant Education and Experience of Committee Members</u>

The education and experience of each Audit and Risk Committee member that is relevant to such members' responsibilities as a member of the Audit and Risk Committee are set out below:

Robert Purves

Mr. Purves is Chairman of Purves Redmond Limited, an insurance brokerage firm. His career includes a strong insurance heritage, focused on property, casualty, management liability and surety lines. He has direct experience in transportation, environmental and waste management industries, as well as non-profit and special marine lines. Mr. Purves has a BA in Economics from the University of Toronto and a number of insurance diplomas and designations. He has eight years experience in accounting and 31 years in the insurance brokerage business. He is a director and officer of two insurance firms.

Mary Connolly

Ms. Connolly was most recently Managing Director of the Toronto office of the law firm Fraser Milner Casgrain, LLP (FMC). In her role with FMC, she was responsible for directing operations of the Toronto practice, including the client service levels and facilitating a process of continuous improvement. Prior to joining FMC, Ms. Connolly operated her own management consulting firm and also served with Ernst & Young, both in a management consulting and professional accountancy capacity. Ms. Connolly holds an MBA from the University of Ottawa and qualified as a Canadian Chartered Accountant in 1982.

G. Mark Curry

Mr. Curry has been the Chairman of Revmar Inc., an investment consulting company, since 1980. Mr. Curry is currently a director of Killbear Acquisition Corp., a public company, and a Director of the Toronto Port Authority. He is currently a director of several private companies and is a former director of several Canadian public companies. He served as a director of MCL Capital Inc., a capital pool company, now ZENN Motor Company Inc., which completed its qualifying transaction in January 2006. He was a director of Cutwater Capital Corporation, a capital pool company, now OutdoorPartner Media Corporation, which completed its qualifying transaction in March 2006. Mr. Curry received a Bachelor of Arts & Economics from Stanford University and a Master of Business Administration from the University of Western Ontario.

Patrick Hodgson

Patrick Hodgson is President of Cinnamon Investments, a private investment company. He is a Director of M&T Bank and an advisor to Ravensource Funds. Mr. Hodgson became a Director of EGI Financial in May 2012. He has over 35 years of experience investing in and operating companies. Previously, he was Chairman of Todd Shipyards, Chairman of Scott's Hospitality and President of London Machinery. He has served on numerous public company audit committees. Mr. Hodgson holds a BS in Economics from the University of Pennsylvania.

Bruce West

Mr. West is Executive Vice President Finance and Chief Financial Officer of The Co-operators Group Limited. Mr. West has over 30 years of progressive financial and managerial experience in operations, corporate development and financial management. He has held several senior financial and management roles in the insurance, banking and technology sectors. As Executive Vice-President Finance and Chief Financial Officer of The Co-operators Group, Mr. West is a director of seven wholly or partially owned companies and is chairman of two audit committees. Mr. West is a Chartered Accountant and holds a Bachelor of Mathematics from the University of Waterloo and an MBA with a concentration in Marketing from Wilfrid Laurier University. He also has a Chartered Director (C.Dir.) designation and a Human Resources and Compensation Committee Certified (H.R.C.C.C.) designation from The Directors College (a joint venture of McMaster University and the Conference Board of Canada).

Pre-Approval Policy

The Audit and Risk Committee shall pre-approve all services provided to EGI by the external auditor other than professional services performed by the external auditor for the audit and review of the Company's financial statements or services normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

External Auditor Service Fees

During the two most recently completed financial years, the Company incurred the following fees to PricewaterhouseCoopers LLP, the Company's external auditor, for audit, audit-related and non-audit services:

External Auditor Fees	**2012**	**2011**
Audit fees	$615,000	$496,000
Audit- related fees	33,000	56,000
Tax fees	89,000	53,000
All other fees	18,000	36,000

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of carrying on our business, EGI becomes the subject of claims and is involved in various legal proceedings. EGI is not currently involved in any material legal proceedings, nor is it aware of any pending of threatened proceedings or claims for damages, where it believes the amount would have a material adverse effect upon its financial condition or results of operations.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

EGI has entered into transactions with two related parties, Co-operators and Purves Redmond Limited ("Purves Redmond"). These transactions are carried out in the normal course of operations and are measured at cost which approximates fair value. Co-operators, which is a significant shareholder of EGI, distributes EGI products through its agents. Purves Redmond is involved in arranging insurance coverage for the companies within the EGI group. Robert Purves, a shareholder and director of EGI, is also a shareholder and chairman of Purves Redmond. See Note 14 of the Company's Consolidated Financial Statements for the year ended December 31, 2012.

TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agent is Computershare Investor Services Inc., Toronto, Ontario.

INTERESTS OF EXPERTS

The financial statements for the financial year ended December 31, 2012, have been audited by PricewaterhouseCoopers LLP, EGI's auditors.

J.S. Cheng & Partners provided an opinion on the value of policy liabilities for the Company's consolidated balance sheets at December 31, 2012.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's management proxy circular for its most recent annual meeting of shareholders involving the election of directors. Additional financial information is also provided in the Company's comparative consolidated financial statements for the financial year ended December 31, 2012, and management's discussion and analysis of such financial results. A copy of such documents and additional information relating to the Company is contained on SEDAR at www.sedar.com, the Internet site maintained by the Canadian Securities Administrators.

GLOSSARY OF SELECTED INSURANCE TERMS

Facility Association refers to an organization of the Canadian automobile insurance industry which exists to ensure that all drivers can obtain basic insurance, even if their application fails to meet the criteria of individual insurance companies;

Producers refers to, collectively, insurance brokers, agents and managing general agencies;

Reinsurance means an arrangement in which an insurance company, the reinsurer, agrees to indemnify another insurance or reinsurance company, the ceding company, against all or a portion of the insurance or reinsurance risks underwritten by the ceding company under one or more policies;

Risk means a person or thing insured on an insurance policy; and

Underwriting means the assumption of risk for designated loss or damage by issuing a policy of insurance in respect thereof.

APPENDIX "A"

EGI FINANCIAL HOLDINGS INC.

AUDIT AND RISK COMMITTEE CHARTER

1. PURPOSE

The Audit and Risk Committee ("Committee") is a standing committee of the Board of Directors ("Board") of EGI Financial Holdings Inc. (the "Corporation"). The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities by: serving as an independent monitor of the Corporation's financial reporting process, risk management and system of internal controls; monitoring the independence and performance of the Corporation's external auditor and internal audit function; and facilitating communication among the Corporation's external auditor, the Board and senior and financial management of the Corporation. The Committee performs this function by carrying out the activities described in this Charter.

2. MEMBERSHIP

(a) *Number of Members*

The Committee shall consist of a minimum of three members.

(b) *Residency of Members*

A majority of members of the Committee shall be resident Canadians.

(c) *Independence of Members*

Each member of the Committee shall have no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably interfere with the exercise of the member's independent judgment. Each member shall otherwise satisfy the independence requirements applicable to members of audit committees under National Instrument 52-110 – *Audit Committees* of certain of the Canadian Securities Administrators and the requirements of any other applicable legislation, subject to any exemptions or relief that may be granted from such requirements.

(d) *Financial Literacy of Members*

Each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

(e) *Term of Members*

The members of the Committee shall be appointed annually by the Board. Each member of the Committee shall serve at the pleasure of the Board until the member resigns, is removed or ceases to be a member of the Board.

3. CHAIRMAN

(a) *Election of Chairman*

The Chairman of the Committee is chosen by the Committee from among the members of the Committee.

(b) *Role of the Chairman*

The Chairman is responsible for the overall operation of the Committee.

4. MEETINGS

(a) *Number of Meetings*

The Committee shall meet as many times per year as necessary to carry out its responsibilities but in no event will the Committee meet less than four times per year.

(b) *Quorum*

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. Two members of the Committee shall constitute a quorum.

(c) *Minutes; Reporting to the Board*

The Committee shall maintain minutes or other records of meetings and activities of the Committee in sufficient detail to convey the substance of all discussions held. Upon approval of the minutes by the Committee, the minutes shall be circulated to the members of the Board. However, the Chairman may report orally to the Board on any matter in his view requiring the immediate attention of the Board.

(d) *Attendance of Non-Members*

The Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. At least once per year, the Committee shall meet with the external auditor and management in separate sessions to discuss any matters that the Committee or such individuals consider appropriate. The external auditor shall be entitled to receive notice of every meeting of the Committee and to attend and be heard at every meeting.

(e) *Procedure*

The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board. Notwithstanding such procedures, a meeting of the Committee may also be called by the external auditor.

5. RESPONSIBILITIES AND DUTIES

(a) *Review of Financial Information*

The Committee shall review, prior to public disclosure by the Corporation, the Corporation's annual and interim financial statements, annual and interim Management's Discussion and Analysis of Operations and Changes in Financial Condition ("MD&A"), annual and interim earnings press releases, and any other press releases containing financial information related to earnings. The Committee shall also review financial statements and financial information of the Corporation appearing in a prospectus or other offering document. In addition, the Committee shall satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from its financial statements (other than disclosure already referred to in this paragraph) and shall periodically review the adequacy of such procedures.

(b) *Recommendation Regarding Annual and Interim Financial Statements*

Annual Financial Statements. The Committee shall review and discuss with management and the external auditor the Corporation's annual financial statements and recommend to the Board whether the annual financial statements should be approved.

Interim Financial Statements. The Committee shall review and discuss with management and may discuss with the external auditor the Corporation’s interim financial statements and recommend to the Board whether the interim financial statements should be approved.

(c) *Significant Accounting Principles and Off-Balance Sheet Transactions*

The Committee shall review with management and the external auditor significant accounting principles and disclosure issues, including complex or unusual transactions, judgmental areas (such as reserves or estimates), significant changes to accounting principles and alternative treatments under Canadian GAAP. The Committee shall discuss with management the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation’s financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses.

(d) *Pre-Approval of Non-Audit Services*

The Committee shall pre-approve all services provided to the Corporation and its subsidiary entities by the external auditor other than professional services performed by the external auditor for the audit and review of the Corporation’s financial statements or services normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

(e) *Whistleblowing Procedures*

The Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls and auditing matters and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

(f) *Internal Controls*

The Committee shall review and discuss with management the nature and appropriateness of the Corporation’s systems of internal control over financial reporting and internal control for compliance with legal, regulatory and ethical requirements. The Committee shall monitor internal financial and operating policies, procedures and controls to ensure the integrity of managing the Corporation’s resources, including internal controls in the accounting system, changes in accounting principles and practices, asset management policies and procedures, investment policies and procedures, foreign currency management, tax planning and compliance, banking arrangements and significant risks, uncertainties and estimates as they relate to financial reporting.

(g) *Risk Management*

The Committee shall review and discuss with management and the external auditor the nature and appropriateness of the Corporation’s systems to identify, assess and mitigate significant business risks and shall discuss with the external auditor management’s responses to the external auditor’s advice regarding management and internal controls. The Committee shall monitor and review the Corporation’s risk management policies and processes and review reports as appropriate on identified key risks of the Corporation and review actions to mitigate these risks.

6. RELATIONSHIP WITH AUDITORS

Selecting and Compensating the External Auditor

The Committee shall recommend to the Board the external auditor to be nominated for appointment at the Corporation’s annual meeting for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation as well as the compensation of such external auditor. The external auditor to be nominated shall be a participating audit firm that is in compliance with the requirements of the Canadian Public Accountability Board.

Independence of the External Auditor

The Committee shall satisfy itself that the external auditor is “independent” under applicable laws and requirements, including the rules of the Canadian Public Accountability Board.

As part of this process, the Committee shall require the external auditor to submit to the Committee at least once per year a formal written statement confirming its independence under applicable laws and requirements which statement shall delineate all relationships between the Corporation and the external auditor.

Communication/Reporting and Oversight of Auditors

The Committee has authority to communicate directly with the internal auditor (if any) and the external auditor. The external auditor is required to report directly to the Committee. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting.

Hiring of Former Partners and Employees of Current and Former External Auditor

The Committee shall review and approve the Corporation’s hiring policies regarding current and former partners and employees of the current and any former external auditor of the Corporation.

7. AUTHORITY TO ENGAGE EXTERNAL ADVISORS

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set and pay the compensation for such counsel and advisors.

8. ACCESS TO INFORMATION AND PERSONNEL

In its discharge of the foregoing responsibilities and duties, the Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the relevant accounting books, records and systems of the Corporation and shall discuss with the officers of the Corporation such books, records, systems and other matters considered appropriate.

9. ADOPTION AND REVIEW OF CHARTER

This Charter was adopted by the Board on November 8, 2005, and amended on February 21, 2008 and March 12, 2009. The Committee and the Board shall review the adequacy of the Committee’s charter on at least an annual basis. In accordance with NI 52-110, the text of this charter shall be included in the Corporation’s Annual Information Form.