EGI Financial Holdings Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the quarter ending March 31, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the quarter ending March 31, 2014

References to "EGI" or "Company" in this Management's Discussion and Analysis refer to EGI Financial Holdings Inc. on a consolidated basis, both now and in its predecessor forms.

Important Note:

The condensed consolidated interim financial statements for the quarters ended March 31, 2014, and 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting. The policies applied in the condensed consolidated interim financial statements are based on IFRS and have been consistent with those of the previous financial year except for the ones explained in note 3 in the condensed financial statements.

The following discussion should be read in conjunction with EGI's unaudited condensed consolidated interim financial statements for the first quarter of fiscal 2014 and 2013, with the notes to the condensed consolidated interim financial statements, and with management's discussion and analysis (MD&A) and audited annual consolidated financial statements and accompanying notes in the Company's 2013 annual report. The financial data in this discussion has been prepared in accordance with IFRS and has been derived from the unaudited consolidated interim financial statements for the three months ended March 31, 2014, and 2013.

The following commentary is current as of May 8, 2014. Additional information relating to EGI is available on SEDAR at www.sedar.com. Certain totals, subtotals and percentages may not reconcile due to rounding.

EGI uses both IFRS and certain non-IFRS measures to assess performance. Securities regulators require that companies caution readers about non-IFRS measures that do not have a standardized meaning under IFRS and are unlikely to be comparable to similar measures used by other companies. EGI analyzes performance based on underwriting income and underwriting ratios such as combined, expense and loss ratios, which are non-IFRS measures. Underwriting income is defined as net earned premiums less net claims incurred, net acquisition expenses, general expenses and reversing any impact of change in discount rate on claims.

The following discussion contains forward-looking information that involves risk and uncertainties 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 EGI and its business, and could cause actual results to differ materially from the expectations expressed in any of this forward-looking information.

COMPANY OVERVIEW

EGI operates in the property and casualty ("P&C") insurance industry in Canada and Europe. The Company underwrites non-standard automobile insurance and other specialty insurance products, with a focus on niche underserved markets.

EGI operates in Canada through Echelon General Insurance Company ("Echelon"), a federally-regulated P&C insurance company. It has two lines of insurance business – Personal Lines and Specialty Programs. 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. Specialty Programs designs and underwrites specialized insurance programs, such as hard to place commercial property, primary and excess liability, and extended warranty.

The International division underwrites specialty insurance programs in Europe through Qudos Insurance A/S ("Qudos"), a majority-owned insurance company. Qudos is domiciled in Denmark and is regulated throughout the European Union by the Danish Financial Supervisory Authority. Products include motorcycle, taxi, non-standard auto and warranty insurance. It commenced writing premiums in 2012 and, to date, the majority of the business written is in the United Kingdom and Denmark.

On November 30, 2013, EGI completed a definitive stock purchase agreement with White Pine Insurance Company for the sale of its U.S. operations. The U.S. results are referred to as discontinued operations in this document.

On March 28, 2014, EGI announced that it has entered into a definitive agreement with SGI CANADA to acquire 75% of the Insurance Company of Prince Edward Island. The transaction is expected to close in the summer of 2014.

QUARTERLY HIGHLIGHTS

- Net operating income of $0.30 per share compared to $nil in the first quarter of 2013.
- An underwriting income of $0.5 million for the quarter.
- A combined operating ratio of 99.1% compared to 107.9% in the first quarter of 2013.
- A 50% increase in direct written premiums over the same period in 2013 to $79.8 million, driven by the increase in premiums in the International division.
- Total pre-tax return on invested assets of $9.3 million in the quarter compared to $6.7 million in the first quarter of 2013.
- An increase in book value per share of 2.4% in the quarter to $14.92 per share. Excluding the investment in EGI's European subsidiary that increased its ownership from 51% to 71%, book value per share increased by $0.61 or 4.2% in the quarter.

The following financial information compares first quarter 2014 results with the first quarter of 2013.

($ THOUSANDS except per share amounts)	1st Quarter 2014	1st Quarter 2013	Change $	Change %
Direct written and assumed premiums	79,768	53,240	26,528	50
Net written premiums	65,165	45,206	19,959	44
Net earned premiums	62,098	44,566	17,532	39
Claims incurred	35,736	32,024	3,712	12
Acquisition costs	18,099	10,849	7,250	67
Operating expenses	7,731	5,208	2,523	48
Underwriting income (loss) (1)	532	(3,515)	4,047	115
Investment income	6,134	5,088	1,046	21

($ THOUSANDS except per share amounts)	1st Quarter 2014	1st Quarter 2013	Change $	Change %
Impact of discount rate on claims	–	(1,759)	1,759	100
Net income (loss) before income taxes	6,666	(186)	6,852	3,684
Income taxes	1,271	(216)	1,487	688
Net income – continued operations	5,395	30	5,365	17,883
Net operating income (loss) attributable to shareholders	3,678	(8)	3,686	46,075
Net income per share				
Basic	$0.45	$0.01		
Diluted	$0.44	$0.01		
Return on equity (ROE) (1)	6.3%	9.5%		
Return on equity (ROE) continuing operations (1)	10.9%	11.9%		
Net operating income per share – diluted	$0.30	$0.00		

(1) Before impact of change in discount rate on unpaid claims for an adjustment of $nil in the three months ended March 31, 2014, compared to $1.8 for the corresponding period in 2013.

Insurance Operations

Written and Earned Premiums

In the first quarter of 2014, direct written premiums increased $26.5 million, or 50%, to $79.8 million compared to $53.2 million in the same period last year. The increase in written and earned premiums was primarily due to growth in the International division.

Incurred Claims Expense

For the quarter ended March 31, 2014, net claims expense increased $3.7 million or 12% to $35.7 million compared to $32.0 million in the first quarter of 2013. This resulted in a reduced loss ratio of 57.5% for the three months ended March 31, 2014, compared to 71.9% for the same period in 2013 as the increase in net claims expense was lower than the 39% increase in earned premiums.

On a consolidated basis, net favourable development of prior year claims of $3.3 million was recorded in the first quarter of 2014 compared to net favourable development of $1.2 million in the same period in 2013.

Acquisition Costs

Net acquisition costs, which consist mainly of commissions and premium taxes, increased $7.3 million or 67% to $18.1 in the quarter ended March 31, 2014, compared to $10.8 in the same period in 2013. The increase is larger than the increase in the net earned premiums of 39% due to the larger acquisition costs in the International division.

Operating Expenses

Operating expenses increased $2.5 million or 48% to $7.7 million in the first quarter of 2014 compared to the comparative quarter due to the 39% increase in earned premiums and amortization of information system initiatives.

Underwriting Income

Underwriting income of $0.5 million was recorded in the first quarter of 2014 compared to an underwriting loss of $3.5 million in the same period in 2013. The increase was attributable to improved profitability in Personal Lines and in the International division, partially offset by increased losses in Specialty Programs.

Net Income before Income Taxes

For the quarter ended March 31, 2014, income before income taxes was $6.7 million compared to a loss of $0.2 million for the first quarter of 2013. This was the result of an increase in underwriting income of $4.0 million, decrease in impact of discount rate on claims of $1.8 million and higher investment income of $1.0 compared to the same period in 2013.

Income Taxes

For the quarter ended March 31, 2014, the provision for income taxes reflects an expense of $1.3 million compared to a recovery of $0.2 million for the same period last year. The approximate effective tax rate was 27% for the first quarter of 2014 and 27% for the same period last year.

SEGMENTED FINANCIAL INFORMATION

Personal Lines

	3 months ended March 31			
($THOUSANDS)	**2014**	**2013**	**$ Change**	**% Change**
Direct written premiums	27,743	28,791	(1,048)	(4)
Net earned premiums	30,555	30,238	317	1
Net claims:				
Current year claims	21,258	24,068	(2,810)	(12)
Current year loss ratio	69.6%	79.6%		
Favourable prior year claim development	3,507	1,469	2,038	139
Total net claims	17,751	22,599	(4,848)	(21)
Claims ratio (1)	58.1%	74.7%		
Expense ratio	32.4%	29.7%		
Underwriting income (loss) (1)	2,912	(1,332)	4,244	319
Combined ratio (1)	90.5%	104.4%		

(1) Before impact of change in discount rate on unpaid claims for an adjustment of nil in the three months ended March 31, 2014, compared to $1.5 for the corresponding period in 2013.

Personal Lines recorded an underwriting income in the first quarter of 2014 of $2.9 million, compared to an underwriting loss of $1.3 million in the first quarter of 2013, an increase of $4.2 million.

The line's combined ratio decreased to 90.5% in this quarter as a result of the following factors:

1. Improved performance of Ontario non-standard auto, which recorded a combined ratio of 92.8% in the first quarter compared to 118.8% in the first quarter of 2013 despite harsh winter driving conditions. This improved the underwriting income by $4.5 million to $1.2 million compared to a loss of $3.3 million in the same period last year. Although frequency of claims increased from Q1 2013, severity of claims was lower than in prior periods.

2. Increased positive development of prior year claims of $3.5 million in the first quarter of 2014 compared to $1.5 million in the same period in 2013.

3. This is partially offset by the performance of EGI's motorcycle and Personal Lines business outside of Ontario that recorded a combined ratio of 87.6% in the first quarter of 2014 compared to a combined ratio of 84.3% in the same period in 2013.

Specialty Programs

	3 months ended March 31			
($THOUSANDS)	**2014**	**2013**	**$ Change**	**% Change**
Direct written premiums	9,210	9,565	(355)	(4)
Net earned premiums	8,371	7,364	1,007	14
Net claims:				
Current year claims	5,012	5,039	(27)	(1)
Current year loss ratio	59.9%	68.4%		
Favourable (unfavourable) prior year claims development	(248)	(100)	(148)	(148)
Total net claims	5,260	5,139	121	2
Claims ratio (1)	62.8%	69.8%		
Expense ratio	56.6%	45.4%		
Combined ratio(1)	119.5%	115.2%		
Underwriting income (loss) (1)	(1,629)	(1,119)	(510)	(46)

(1) Before impact of change in discount rate on unpaid claims for an adjustment of $nil in the three months ended March 31, 2014, compared to $0.3 for the corresponding period in 2013.

Specialty Programs recorded an underwriting loss of $1.6 million compared to an underwriting loss of $1.1 million recorded in the first quarter of 2013. The division's combined ratio increased to 119.5% in this quarter as a result of the following factors:

1. The commercial property line of business experienced underwriting losses of $1.6 million in Q1 2014 primarily due to large losses.

2. The liability line of business experienced underwriting losses of $0.9 million in Q1 2014 primarily due to large losses.

3. Negative prior year claims development of $0.2 million compared to negative development of $0.1 million in the first quarter of 2013.

International Division

	3 months ended March 31			
($THOUSANDS)	**2014**	**2013**	**$ Change**	**% Change**
Direct written premiums	42,816	14,884	27,932	188
Net earned premiums	23,172	6,965	16,207	233
Net claims:				
Current year claims	12,725	4,151	8,547	207
Current year loss ratio	54.9%	59.6%		
Favourable (unfavourable) prior year claims development	-	(135)	135	100
Total net claims	12,725	4,286	8,439	197
Claims ratio	54.9%	61.5%		
Expense ratio	43.4%	43.3%		
Combined Ratio	98.3%	104.8%		
Underwriting income (loss)	387	(333)	720	216

The International division recorded $42.8 million of written premiums in the first quarter of 2014 compared to $14.9 million in the same period in 2013, an increase of $27.9 million. The strong growth in written premiums is due primarily to the growth in existing programs. At the end of the first quarter, the International division wrote approximately 30 programs, mainly in the UK and Denmark.

The International division recorded an underwriting profit of $0.4 million in the first quarter compared to a loss of $0.3 million in the comparable period in 2013. This is as a result of:

1. Strong performance in the warranty business, personal auto and commercial auto segments.
2. No prior year claims development in Q1 2014 compared to $0.1 million of negative development in the same period in 2013
3. This was partially offset by higher than expected commercial property loss ratios.

SUMMARY OF QUARTERLY RESULTS

A summary of the Company's last eight quarters is as follows:

	2014	2013				2012		
($ THOUSANDS EXCEPT PER SHARE DATA)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Direct written and assumed premiums	79,768	74,300	62,706	78,121	53,240	49,513	53,561	62,857
Net earned premiums and other revenue	62,098	59,738	50,711	50,449	44,566	43,084	42,063	40,834
Underwriting income (loss)(1)	532	(4,309)	1,157	4,080	(3,515)	3,131	459	(2,011)
Income (loss) before income taxes	6,666	1,428	2,998	11,167	(186)	7,672	19,239	(1,397)
Net income (loss)	5,395	1,158	2,440	8,739	30	5,672	14,012	(872)
Earnings (loss) per adjusted share								
(a) Basic	$0.45	$0.17	$0.22	$0.73	$0.01	$0.49	$1.18	$(0.04)
(b) Diluted	$0.44	$0.16	$0.22	$0.72	$0.01	$0.49	$1.18	$(0.04)
Net operating income per share - diluted	$0.30	$0.08	$0.32	$0.49	$0.00	$0.30	$0.23	$0.14
Selected financial ratios								
Loss ratio(1)	57.5%	69.5%	61.1%	54.8%	71.9%	52.8%	60.3%	66.3%
Expense ratio	41.6%	37.7%	36.6%	37.0%	36.0%	39.9%	38.6%	38.6%
Combined(1)	99.1%	107.2%	97.7%	91.8%	107.9%	92.7%	98.9%	104.9%
Book value per share	$14.92	$14.57	$13.98	$14.37	$14.09	$13.98	$13.58	$12.99

(1) Before impact of change in discount rate on unpaid claims for an adjustment of $nil in the three months ended March 31, 2014, compared to $1.8 for the corresponding period in 2013.

The quarterly results reflect the seasonality of our business. While net earned premiums are relatively stable from quarter to quarter, underwriting results vary significantly by quarter as they are affected by changes in weather conditions.

Net Operating Income

Details of Net Operating Income are as follows:

	Three months ended March 31	
($ THOUSANDS except per share amounts)	**2014**	**2013**
Net income (loss)	5,395	(910)
Impact of discount rate	0	1,770
Realized gains (losses) on investments	(1,663)	(1,305)
Fair value change on HFT investments	(552)	(291)
Discontinued Operations	-	940
Tax impact	598	(301)
Net operating income (loss)	3,778	(97)
Minority interest	(100)	89
Net operating income (loss) attributable to shareholders	3,678	(8)
Net operating income per share – diluted	$0.30	$0.00

Balance Sheet Highlights

Selected balance sheet highlights and book value per share details are as follows:

($ THOUSANDS except per share amounts)	As at March 31, 2014	As at Dec 31, 2013
Cash and short-term deposits	40,929	18,156
Investments	447,397	454,317
Total assets	647,270	618,103
Provision for unpaid claims	302,769	296,857
Unearned Premiums	135,970	127,247
Total equity attributable to shareholders	175,468	170,535
Book value per share (1)	$14.92	$14.57
Echelon MCT Ratio	228%	219%

(1) Shareholders' equity divided by the number of shares issued and outstanding.

BALANCE SHEET ANALYSIS

The Balance Sheet analysis that follows should be read in conjunction with the unaudited condensed consolidated interim financial statements for the first quarter of 2014 and notes therein.

Investments

EGI has an investment policy that seeks to provide a stable income base to support EGI's liabilities without incurring an undue level of investment risk. In addition to this risk-return analysis, the chosen asset mix also considers the amount of regulatory capital that is required.

EGI's investment portfolio is invested in well-established, active and liquid markets in Canada, the United States and Europe. Fair value for most investments is determined by reference to observable market data.

There has been no significant change in the Company's investment policy since the end of 2013.

Fair Value of Investments

The following table sets forth EGI's invested assets as at March 31, 2014, and December 31, 2013.

	Carrying and fair values	
Available-for-sale	**As at March 31, 2014**	**As at December 31, 2013**
Fixed income		
Canadian		
Federal	60,738	54,374
Provincial	39,133	42,718
Municipal	4,721	5,714
Corporate	169,252	162,316
	273,844	265,122
Fixed income lent through securities lending program		
Federal	11,463	49,165
Provincial	18,798	7,656
Municipal	–	411
Corporate	3,640	3,980
	33,901	61,212

Available-for-sale	As at March 31, 2014	As at December 31, 2013
	Carrying and fair values	
Foreign fixed income		
Government	15,263	12,799
Corporate	57,745	45,608
	73,008	58,407
Total fixed income	380,753	384,741
Commercial Mortgages pooled fund	2,075	2,052
Common shares		
Canadian	9,885	29,414
Foreign	20,955	8,770
	30,840	38,184
Total available-for-sale	413,668	424,977
Fair value through profit or loss		
Preferred shares	33,297	29,340
Preferred share lent through securities lending program	432	–
	33,729	29,340
Total investments	447,397	454,317

Impairment Assets and Provisions for Losses

EGI has an established policy to write down or make a provision for any investment with objective evidence that the value of the investment is impaired.

Management has reviewed currently available information and the advice of its investment managers regarding those investments whose estimated fair values are less than carrying values. For those securities whose decline in fair value was considered to be objective evidence that the value of the investment is impaired, the Company recorded the difference between the carrying amount of the investment and its fair value as an impairment which reduces investment income in the year recorded.

There was no impairment loss recognized in the first quarter of 2014 and first quarter of 2013.

A gross unrealized loss of $0.6 million (March 31, 2013 – $0.4 million) on investments held as at March 31, 2014, is recorded, net of tax, in the amount of $0.5 million (March 31, 2013 – $0.3 million) in Accumulated Other Comprehensive Income. The Company has concluded, based on its review, that these fair value deficiencies do not meet the criteria for impairment and they will be monitored on an ongoing basis.

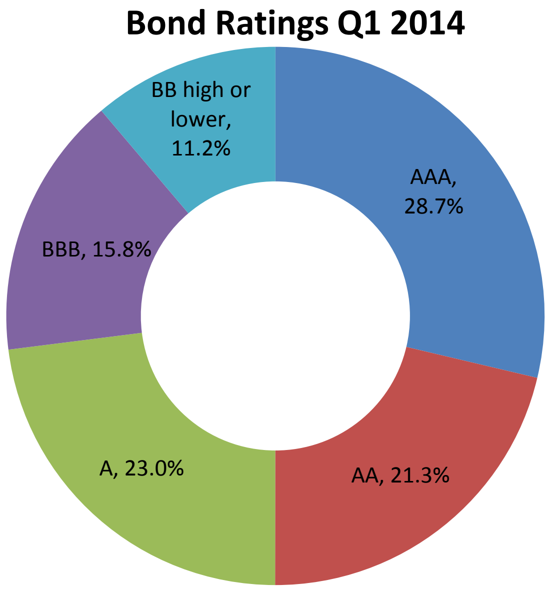
Fixed Income Securities

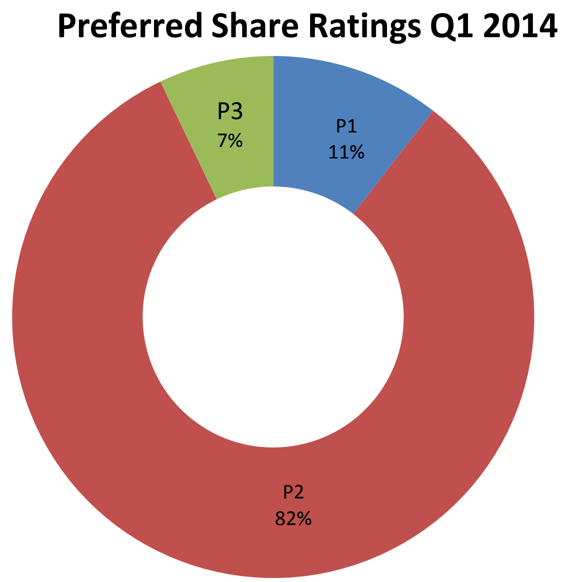
EGI holds fixed income securities to provide a steady, predictable level of income with reasonable liquidity and minimal risk of loss and a fixed sum at maturity. EGI's portfolio is diversified by selecting various types of government and corporate bonds. Constraints on types of issuers take liquidity, diversification and risk into account by limiting the portfolio mix by issuer.

An additional $4.0 million of preferred shares were purchased in the quarter. As investors rotated existing holdings in order to make room for new issues in their portfolios, there was an increased supply of shares in the secondary market.

EGI's portfolio maintains a high overall credit quality level as measured by external rating agencies.

The charts below set forth EGI's fixed income and preferred share portfolios by credit quality determined by DBRS ratings as at March 31, 2014.





Common Shares

Common shares are a key component of EGI's portfolio to enhance the capital appreciation opportunities of EGI's invested assets. Diversification by industry sector also reduces the overall risk level inherent in EGI's common share portfolio.

Common Share Portfolio

The following table outlines EGI's Canadian common share exposure to industry sectors as at March 31, 2014 and December 31, 2013.

	As at March 31, 2014		As at December 31, 2013	
($ THOUSANDS)	**Fair value and carrying amounts**	**% of fair value**	**Fair value and carrying amounts**	**% of fair value**
US Pool Funds	11,631	38	15,923	42
Canadian Pool Funds	9,299	30	13,014	34
Technology	3,785	12	2,352	6
Consumer Goods	3,081	10	3,168	8
Services	1,813	6	1,348	4
Health Care	631	2	960	3
Conglomerates	600	2	446	1
Energy	–	0	491	1
Financial services	–	0	–	0
Materials	–	0	–	0
Other	–	0	482	1
Total	30,840	100	38,184	100

As at March 31, 2014, 32% of the common share portfolio was in Canadian equities with 68% in foreign equities.

Recoverable from Reinsurers

($ THOUSANDS)	As at March 31, 2014	As at Dec. 31, 2013
Reinsurers' share of unpaid claims	33,595	32,762
Reinsurers' share of unearned premiums	24,002	19,985
Total	57,597	52,747

As at March 31, 2014, the recoverable from reinsurers increased by $4.9 million, or 9%, to $57.6 million from $52.7 million as at December 31, 2013. The increase was due to increased reliance on reinsured premiums in the International division partially offset by reduced reliance on Personal Lines claims reinsurance as older claims, with higher reinsurance run off. All reinsurers, with balances due, have a rating of A⁻ or above as determined by Standard & Poor's and A.M. Best, except for several Specialty Programs distributors who share a portion of the risk with EGI, for whom EGI holds deposits as collateral.

Accounts Receivable

($ THOUSANDS)	As at March 31, 2014	As at Dec. 31, 2013
Premium financing receivables	14,093	15,680
Agents and brokers	22,979	15,627
Other	4,582	4,619
Total	41,654	35,926

Premium financing receivables represents 34% of total receivables as at March 31, 2014. Premium financing receivables decreased to $14.1 million at March 31, 2014, from $15.7 at December 31, 2013. The increase in agent and broker receivables from $15.6 million in 2013 to $23.0 million in 2014 was due mainly to an increase in balances due to Qudos, in line with the increase of written premiums in this entity.

Provision for Unpaid Claims

EGI establishes loss reserves to provide for future amounts required to pay claims related to insured events that have occurred and been reported but have not yet been settled, and related to events that have occurred but have not yet been reported to EGI. Provision for unpaid claims consists of the aggregate amount of individual case reserves established and management's estimate of claims incurred but not reported, based on the volume of business currently in force and historical claims experience. In order to help ensure that EGI's provision for unpaid claims (often called "reserves") is adequate, management has retained the services of an independent actuary. Provisions for unpaid claims are discounted to present value. The discount rate used for March 31, 2014, was 2.05%, unchanged from 2.05% at the end of 2013.

Financial Commitment

On March 28, 2014, EGI entered into a definitive agreement with SGI CANADA to acquire SGI CANADA's 75% share of the Insurance Company of Prince Edward Island. The Insurance Company of Prince Edward Island is the largest Maritimes-based property and casualty insurance company in Canada, operating through independent brokers in Prince Edward Island, New Brunswick and Nova Scotia.

The transaction is expected to close in early summer 2014, subject to satisfaction of customary closing conditions.

Share Capital

As of May 8, 2014, there were 11,761,932 common shares issued and outstanding.

LIQUIDITY AND CAPITAL MANAGEMENT

The purpose of liquidity management is to ensure there is sufficient cash to meet all of EGI's financial commitments and obligations as they come due. EGI believes that it has the flexibility to obtain, from internal sources, the funds needed to fulfill its cash requirements, during the following financial year and to satisfy regulatory capital requirements.

Contractual obligations include operating leases, for which $1.5 million is due in less than a year and $5.3 million is due over the next nine years.

EGI is primarily a holding company and, as such, has limited direct operations of its own. EGI's principal assets are the shares of its insurance, reinsurance and insurance management subsidiaries. Accordingly, its future cash flows depend in part upon the availability of dividends and other statutorily permissible distributions from the insurance subsidiaries. The ability to pay such dividends and to make such other distributions is limited by applicable laws and regulations of the jurisdictions in which the insurance subsidiaries are domiciled, which subject the insurance subsidiaries to significant regulatory restrictions. These laws and regulations require, among other things, that the insurance subsidiaries maintain minimum solvency requirements and may also limit the amount of dividends that the insurance subsidiaries can pay to EGI.

Capital Management

The total capitalization of EGI at March 31, 2014, was $176.5 million compared to $168.4 million at December 31, 2013.

The Minimum Capital Test (MCT) ratio of EGI's Canadian subsidiary, Echelon General Insurance Company, as at March 31, 2014, was 228%, 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 $25 million of excess deployable capital invested in liquid assets in the holding company. All regulated entities remain well-capitalized. In February 2014, EGI injected $6 million of capital into its European subsidiary to support its strong premium growth and strengthen its regulatory ratios. As a result, EGI's ownership stake increased to 71% from 51% at the beginning of the year.

The continued growth in capitalization reflects the strengthening of EGI's balance sheet and provides for better capital adequacy as a P&C insurance underwriter. A common measure of capital adequacy is the net written premium-to-surplus or equity ratio. This ratio was 1.8:1 as at March 31, 2014, compared to 1.2:1 in 2013. EGI's current capitalization provides it with adequate financial resources for planned growth.

Equity

($ THOUSANDS)	As at March 31, 2014	As at Dec. 31, 2013
Common shares	67,660	67,211
	(11,761,432 shares)	(11,703,082 shares)
Retained earnings	95,589	94,593
Contributed surplus	1,825	1,561
Accumulated other comprehensive income	10,394	7,170
Non-controlling interest	1,074	(2,156)
Total capitalization	176,542	168,379

Normal Course Issuer Bid

There were no shares purchased under the Company's Normal Course Issuer Bid during the first quarter of 2014.

ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared in accordance with IFRS and in compliance with IAS 34 "Interim Financial Reporting." Please refer to note 3 of the unaudited condensed consolidated interim financial statements for the quarter ended March 31, 2014.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

For a description of EGI's accounting policies, which are on an IFRS basis, refer to note 3 in the condensed consolidated interim financial statements for the quarter ended March 31, 2014. A description of EGI's critical accounting estimates and assumptions is also detailed in note 4 of the interim financial statements.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by EGI is recorded, processed, summarized and reported in a timely manner. This includes controls and procedures that are designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of March 31, 2014, an evaluation was carried out, under the supervision of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined under Multilateral Instrument 52-109. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of these disclosure controls and procedures was effective.

Internal Controls over Financial Reporting

As at the quarter ended March 31, 2014, the Chief Executive Officer and the Chief Financial Officer evaluated the design of the Company's internal control over financial reporting. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design of internal controls as at March 31, 2014, was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2014, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.