

## **EGI Financial Reports Third Quarter Results and Increases Common Shareholder Dividend**

**TORONTO, November 6, 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 attributable to shareholders of \$4.9 million, or \$0.41 per diluted share, for the three months ended September 30, 2014.

### **Third Quarter Highlights**

- Net operating income of \$0.33 per share compared to \$0.32 per share in the third quarter of 2013
- An underwriting profit of \$0.1 million for the quarter, compared to \$1.2 million in the third quarter of 2013
- A combined operating ratio of 99.8% compared to 97.7% in the third quarter of 2013
- A 67% increase in direct written premiums over the same period in 2013 to \$104.9 million, driven by the increase in premiums in the International division
- Total pre-tax return on invested assets of \$4.3 million in the quarter compared to \$3.0 million in the third quarter of 2013
- An increase in book value per share of 1.3% in the quarter to \$15.19 per share
- A 10% increase in the quarterly common share dividend payable on January 2, 2015

"We are very pleased with our results for the quarter" stated Steve Dobronyi, Chief Executive Officer of EGI. "All segments, products and geographies have simultaneously reported an underwriting profit. Personal Lines continues to demonstrate consistency, having now reported an underwriting profit in 15 of the past 16 quarters. Specialty Programs reported an underwriting profit for the second consecutive quarter. In the Maritimes, Insurance Company of Prince Edward Island produced an underwriting profit and is off to a good start. And in Europe, the claims experience of UK auto insurance has returned to normal levels."

"Our strategy is working", continued Mr. Dobronyi. "We remain focused on broker sold auto products, supplemented by complementary product lines, specialty programs and small commercial risks. We differentiate ourselves through our specialized underwriting, personalized service and analysis of specialty risks. And in Europe, we have the fortune of managing the growth and profitability of a very successful start-up operation. Overall, we have a solid base of profitable business and a scalable underwriting platform to build upon and grow our company."

### **Dividend**

The Board of Directors increased the quarterly dividend by 10% to 11 cents per outstanding common share. The dividend is payable on January 2, 2015, to shareholders of record on December 8, 2014.

## Financial Summary

<b>\$000s (except per share amounts)</b>	<b>Three Months Ended September 30, 2014</b>	<b>Three Months Ended September 30, 2013</b>	<b>% Change</b>	<b>Nine Months Ended September 30, 2014</b>	<b>Nine Months Ended September 30, 2013</b>	<b>% Change</b>
Direct written premiums	104,876	62,706	67	286,072	194,067	47
Net earned premiums	76,560	50,711	51	200,543	145,726	38
Underwriting income (loss)	122	1,157	(89)	(2,657)	1,722	(254)
Investment income	6,345	2,506	153	17,975	12,921	39
Net income	5,537	2,440	127	10,329	11,209	(8)
Net operating income <sup>(1)</sup>	3,944	3,798	4	7,885	9,638	(18)
Net income per diluted share	\$0.41	\$0.22	86	\$0.87	\$0.95	(8)
Net operating income per diluted share <sup>(2)</sup>	\$0.33	\$0.32	3	\$0.65	\$0.80	(19)
Book value per share	\$15.19	\$13.98	9	\$15.19	\$13.98	9

(1) Net operating income is defined as net income excluding the impact of the change in discount rate and foreign exchange rates 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.

## Third Quarter Review

Net operating income of \$3.9 million or \$0.33 per share was recorded in the quarter, compared to \$3.8 million or \$0.32 per share in the third quarter of 2013. The increase was primarily due to higher investment income, partially offset by lower underwriting income, compared to the prior year period.

Personal Lines generated underwriting income of \$0.7 million. Ontario non-standard auto profitability was adversely impacted by two large claims in the quarter. Overall frequency of claims remained consistent with prior quarters.

Specialty Programs recorded a \$0.3 million underwriting profit. EGI continues to actively manage this line of business, having reduced its exposure to soft market conditions in commercial property and focusing its attention on profitable warranty, creditor insurance and true specialty risk programs.

The Insurance Company of Prince Edward Island ("ICPEI") reported results under EGI for the first time this quarter. ICPEI recorded an underwriting profit of \$0.3 million in the quarter due to strong performance in auto, particularly in Prince Edward Island, the improvement in personal property loss ratios and continued strong performance in commercial liability.

International produced an underwriting income of \$0.6 million for the quarter. UK auto programs performance improved in the quarter, while warranty and other specialty programs in Scandinavia and Continental Europe continued to perform strongly.

Direct written premiums increased by 67%, attributable primarily to a \$37.3 million increase in the International division.

Investment income was strong at \$6.3 million compared to \$2.5 million in the third quarter of 2013. Total pre-tax return on invested assets of \$4.3 million in the quarter compared to \$3.0 million in the third quarter of 2013. The fair value of EGI's investment portfolio, including finance receivables, was \$530.9 million, up 6.3% from the prior quarter in 2014, primarily driven by the inclusion of ICPEI assets.

Operating expenses incurred in the third quarter in 2014 increased by 38% over the prior year, lower than the 51% increase in net earned premiums. Investments in systems and infrastructure were the main contributor to this increase.

On a consolidated basis, a net favourable development of prior year claims of \$5.9 million was recorded in the third quarter of 2014 compared to favourable development of \$1.3 million in the same period in 2013.

### **Operating Results**

<b>Underwriting Income (Loss)<sup>(1)</sup></b>	<b>Three Months</b>	<b>Three Months</b>	<b>Nine Months</b>	<b>Nine Months</b>
<b>\$000s</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>	<b>Ended</b>
	<b>September 30, 2014</b>	<b>September 30, 2013</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>
Personal Lines	703	3,265	6,225	6,413
Specialty Programs	271	(1,093)	(934)	(2,881)
ICPEI	291	—	291	—
International	569	50	(5,198)	731
<b>Key Operating Ratios</b>				
Loss ratio <sup>(2)</sup>	60.4%	61.1%	61.1%	62.3%
Expense ratio	39.4%	36.6%	40.3%	36.6%
Combined ratio	99.8%	97.7%	101.4%	98.9%
<b>Loss Ratios<sup>(2)</sup></b>				
Personal Lines	63.8%	59.2%	60.6%	63.0%
Specialty Programs	34.7%	70.8%	46.7%	68.3%
ICPEI	64.0%	N/A	64.0%	N/A
International	61.5%	60.7%	66.5%	55.7%

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

(2) Loss ratio excludes impact of change in discount and foreign exchange rate on unpaid claims

### **Nine-Month Review**

Net operating income attributable to shareholders of \$7.9 million or \$0.65 per share was recorded for the nine months ended September 30, 2014, compared to \$9.6 million or \$0.80 per share for the nine months ended 2013. The decrease was due to an increased underwriting loss, partially offset by higher investment income in the nine months ended September 30, 2014, compared to the same period in 2013.

Personal Lines generated an underwriting income of \$6.2 million, consistent with the underwriting income of the prior year period. All geographies and product lines contributed to the result.

Specialty Programs recorded a \$0.3 million underwriting loss. Strong results in the third quarter were offset by a few large commercial property losses early in the year.

The International division produced an underwriting loss of \$4.5 million for the nine-month period. The performance was due to increased claims frequency in UK auto, along with the establishment of additional IBNR, primarily in the second quarter of 2014. EGI's focus for the remainder of 2014 is to closely monitor claims experience, underwriting profitability and ensure that it maintains sound risk management practices.

Direct written premiums increased by 47%, attributable primarily to an \$85 million increase in the International division.

Investment income was strong at \$18.0 million compared to \$12.9 million in the nine months ended 2013. The total year-to-date pre-tax return on invested assets was \$20.1 million compared to \$6.1 million in the nine months ended 2013. The fair value of EGI's investment portfolio, including finance receivables, was \$530.9 million, up 10.4% from the beginning of 2014.

Operating expenses incurred in the first nine months of 2014 increased by 36% over the prior year, in line with the 38% increase in net earned premiums due to investments in technology, analytical capabilities and customer service initiatives.

On a consolidated basis, a net favourable development of prior year claims of \$10.5 million was recorded in the nine-months ending September 30, 2014 compared to favourable development of \$5.4 million in the same period in 2013.

Overall net income was \$10.3 million, as compared to \$11.2 in the same period last year, due to a decrease in underwriting income.

### **Capital Management**

The Minimum Capital Test (MCT) ratio of EGI's Canadian subsidiary, Echelon General Insurance Company, as at September 30, 2014, was 218%, which comfortably exceeds the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI). On September 30, 2014, EGI injected \$5 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 will increase to 93% from 75% as at June 30, 2014, assuming no minority interest earn in.

In addition to excess capital in Echelon, the Company has approximately \$14 million of excess deployable capital invested in liquid assets in the holding company.

For the three months ended September 30, 2014, total shareholders' equity increased by \$2.5 million to \$179 million from June 30, 2014.

Full Financial Statements and Management's Discussion and Analysis (MD&A) are available on SEDAR and on the Company's website at [www.egi.ca](http://www.egi.ca).

### **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's Discussion & Analysis, filed with the securities regulatory authorities in Canada, available at [www.sedar.com](http://www.sedar.com).

### **Conference Call**

A conference call for analysts and interested listeners will be held on Friday, November 7, 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 15481712. A live audio feed of the call will be available online through the Company's website at [www.egi.ca](http://www.egi.ca), or directly at <http://www.newswire.ca/en/webcast/detail/1422084/1579580>

A replay of the call will be available until November 14, 2014. To access the replay, call 416-849-0833, or toll free 1-855-859-2056, enter password 15481712.

### **About EGI Financial Holdings Inc.**

Founded in 1997, EGI Financial operates in the property and casualty insurance industry in Canada and Europe, primarily focusing on non-standard automobile insurance and other niche and specialty general insurance products.

For further information:

Kathy Shulman  
Investor Relations Manager  
EGI Financial Holdings Inc.  
Telephone: 905-214-7880  
Email: [ir@egi.ca](mailto:ir@egi.ca)