EGI Financial Holdings Inc.

EGI Financial Announces First Quarter Results

TORONTO, May 9, 2013 - EGI Financial Holdings Inc. ("EGI" or "the Company") (TSX: EFH), which operates in the property and casualty insurance industry in Canada, the United States and Europe, today reported a net operating loss of $0.7 million, or $0.06 per diluted share, for the three months ended March 31, 2013. This compares to net operating income of $1.9 million, or $0.16 per diluted share, for the same period in 2012.

Quarterly Highlights

- $0.11 increase in Book Value per Share to $14.09 from $13.98 at December 31, 2012
- 7.2% increase in Book Value per Share from $13.14 at March 31, 2012
- Underwriting loss of $4.4 million, compared to a $1.0 million loss in the first quarter of 2012
- Overall combined operating ratio of 109%, compared to 102% in the first quarter of 2012
- 31% increase in direct written premiums over the same period in 2012 to $57 million
- Total pre-tax return on invested assets of 1.6%, equating to an annualized return of 6.4%

"This has been a mixed quarter for us," stated Steve Dobronyi, Chief Executive Officer of EGI. "Our Personal Lines business posted an underwriting loss, which ended a streak of 9 consecutive quarters of underwriting profitability."

"The long winter in Ontario has had an impact on our underwriting results but our business is well diversified and, notwithstanding, we were still able to generate a positive increase in shareholder value," continued Mr. Dobronyi. "Investment performance was strong and, outside of Ontario, our Personal Lines businesses generated excellent results, with all jurisdictions exceeding target profitability."

"Direct written premiums increased by 31%, primarily due to the growth of the International division," concluded Mr. Dobronyi. "Our European business continues to perform exceptionally well. We have generated $43 million of direct written premiums in our first twelve months of operation, and Q1 has been our best quarter yet for underwriting results. We continue to be very excited with the long term prospects of this business."

Financial Summary

$000s (except per share amounts)	3 months ended March 31, 2013	3 months ended March 31, 2012	% Change
Direct written premiums	57,410	43,939	30.7%
Net earned premiums	48,120	42,170	14.1%
Underwriting income (loss)	(4,448)	(976)	(55.7)
Investment income	5,065	5,960	(15.0%)
Net income (loss)	(910)	3,794	(124.0%)
Net operating income (loss)(1)	(694)	1,941	(135.8%)
Net income (loss) per diluted share	$(0.07)	$0.33	(121.2%)
Net operating income (loss) per diluted share (2)	$(0.06)	$0.16	(137.5%)
Book value per share	$14.09	$13.14	7.2%

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

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

First Quarter Review

A net operating loss of $0.7 million was recorded in the quarter, compared to net operating income of $1.9 million in the first quarter of 2013. Net operating loss per share was $0.06, a decrease from net operating income of $0.16 per share for the same period in 2012.

An underwriting loss of $4.4 million was incurred versus an underwriting loss of $1.0 million for the same period in 2012, mainly due to increased losses in Ontario auto and a few large claims in commercial property insurance.

Direct written premiums increased overall by 31%, attributable primarily to a $14.4 million increase in written premium from the International division. The combined increase in written premium of $1.3 million for the U.S. and Specialty Programs divisions were offset by a $2.2 million decrease for Personal Lines.

Growth of Specialty Programs was primarily attributable to the expansion into Western Canada. The decline for Personal Lines premiums was primarily due to a decrease in written premiums in Ontario auto.

Investment income was a strong $5.1 million compared to $6.0 million in Q1 of 2012, reflecting lower realized gains. Including unrealized gains, total return on invested assets was $6.9 million. The fair value of EGI's investment portfolio, including financing receivables, was $447.7 million, up 10% compared to March 31, 2012.

Operating expenses remained flat at $6.2 million, despite the 14% increase in earned premiums.

On a consolidated basis, net favourable development of prior year claims of $0.9 million was recorded in the first quarter of 2013 compared to favourable development of $3.9 million in the same period in 2012.

Overall net loss was $0.9 million, compared to net income of $3.8 million for the same period last year, primarily due to higher underwriting losses, lower net realized gains in investment income and lower net favourable development of prior year claims.

Operating Results

Underwriting Income (Loss)(1) $000s	**3 months ended March 31, 2013**	**3 months ended March 31, 2012**
Personal Lines	(1,150)	1,138
Specialty Programs	(1,301)	1,042
U.S.	(932)	(1,574)
International	(333)	(803)

Key Operating Ratios	**3 months ended March 31, 2013**	**3 months ended March 31, 2012**
Loss ratio(2)	73.1%	65.7%
Expense ratio	36.1%	36.6%
Combined ratio	**109.2**%	**102.3**%

Loss Ratio(2)	**3 months ended March 31, 2013**	**3 months ended March 31, 2012**
Personal Lines	75.3%	68.5%
Specialty Programs	68.5%	42.5%
U.S.	88.1%	115.6%
International	61.5%	72.2%

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

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

The $1.1 million underwriting loss recorded by Personal Lines was attributable mainly to non-standard auto in Ontario where the Company witnessed an unusually high number of large Accident Benefit claims and recorded a combined ratio of 109.2%. Outside of Ontario, Personal Lines performed well and remained solidly profitable. Management believes that both the negative performance of Ontario non-standard auto and the positive performance of motorcycle are related to this year's long and harsh winter.

The $1.3 million underwriting loss in Specialty Programs was due to the poor performance of its commercial property line of business due to a few large losses in the quarter. Negative prior year claims development of $0.1 million compared to a positive claims development of $1.8 million for the prior year, further contributed to the variance. The run-off of discontinued product lines had an underwriting loss of $0.5 million compared to a loss of $0.4 million in the first quarter of 2012. The majority of this deterioration was due to the settlement and closure of one of our largest and most complex errors and omissions claims.

The U.S. operations recorded a substantial improvement in their performance, resulting in a combined ratio of 126.2% versus 173.2% for the same period last year. The improved performance was due to the Company's exit from the Texas market; newly implemented underwriting and pricing changes towards the end of 2012 in Florida; larger scale and a greater proportion of more profitable renewal business compared to the prior year. Offsetting these developments was a $0.3 million of negative development of prior year claims in the first quarter compared to no negative development in the same period in 2012. The full impact of auto reforms that took effect in Florida on January 1, 2013 cannot be assessed until later in 2013.

Performance of the International division was particularly strong. The division recorded a modest underwriting loss of $0.3 million, its best quarterly result since it started writing premiums one year ago. It generated significant growth in written premiums of $14.4 million, compared to the first quarter last year. We continue to be excited by the long-term prospects of the International division, which is trending to start producing quarterly underwriting profits by the end of 2013.

Capital Management

At the end of Q1 2013, Echelon General's Minimum Capital Test (MCT) ratio was 235%, which significantly exceeds internal targets and the supervisory regulatory capital level of 150% required by the Office of the Superintendent of Financial Institutions (OSFI). All other regulated entities remain well-capitalized.

In addition to the excess capital at Echelon General, EGI has approximately $29 million of excess capital in the holding company and its Barbados reinsurance company, CIM Re.

Up to May 9, 2013, the Company has purchased and cancelled 51,600 common shares under its normal course issuer bid programs for a total consideration of approximately $0.5 million.

For the three months ended March 31, 2013, total shareholders' equity increased by $1.0 million to $167.6 million from December 31, 2012. Share repurchases were $0.3 million for the three months ended March 31, 2013.

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

About EGI

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

Non-IFRS Financial Measures

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

Forward-looking Information

This news release contains forward-looking information based on current expectations. This information includes, but is not limited to, statements about the operations, business, financial condition, priorities, targets, ongoing objectives, strategies and outlook of EGI for 2013 and subsequent periods.

This information is based upon certain material factors or assumptions that were applied in drawing a conclusion or making a projection as reflected in the forward-looking information. By its nature, this information is subject to inherent risks and uncertainties that may be general or specific. A variety of material factors, many of which are beyond EGI's control, affect the operations, performance and results of EGI and its business and could cause actual results to differ materially from the expectations expressed in any of this forward-looking information.

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

Conference Call

A conference call for analysts and interested listeners will be held on Friday, May 10, 2013, at 11:00 a.m. (ET). The call-in numbers for participants are 647-427-7450 or toll free 888-231-8191, Conference ID34586162. A live audio feed of the call will be available online through the Company's website at www.egi.ca, or directly at http://www.newswire.ca/en/webcast/detail/1142147/1246717

A replay of the call will be available until May 17, 2013. To access the replay, call 416-849-0833, or toll free 1-855-859-2056, enter password 34586162.

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