



Echelon Insurance Reports First Quarter Results

TORONTO, May 6, 2015 - EGI Financial Holdings Inc. ("Echelon Insurance", "Echelon" 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 \$3.5 million, or \$0.29 per diluted share, for the three months ended March 31, 2015.

First Quarter 2015 Highlights

- Net operating income of \$0.17 per share compared to \$0.30 in the first quarter of 2014.
- An underwriting loss of \$3.5 million for the quarter compared to an underwriting profit of \$0.5 million in the first quarter of 2014.
- A combined operating ratio of 105.1% compared to 99.1% in the first quarter of 2014.
- A 14% increase in direct written premiums over the same period in 2014 to \$91 million.
- Total pre-tax return on invested assets of \$8.8 million in the quarter compared to \$9.3 million in the first quarter of 2014.
- An increase in book value per share of 1.7% in the quarter to \$16.09 per share.

"It was a quarter of mixed results for our company", commented Steve Dobronyi, Chief Executive Officer. "Our Personal Lines underwriting results are off to a slow start to the year, caused primarily by harsh winter conditions, especially in the Maritime Provinces. On the other hand, underwriting profits were on target in our International and Commercial segments and, coupled with strong investment performance, allowed us to generate an increase in book value of \$0.27 per share."

"Personal Lines has been a reliable and consistent performer over a long period of time. The underwriting results from this quarter should be viewed as an aberration and not indicative of a trend. Results outside of Personal Lines were strong, with Commercial & Specialty producing a 95% combined ratio and International a 93% combined ratio." He noted, "We are particularly pleased with the continued profitability of our International business."

"Our objectives for the remainder of the year are unchanged", he concluded. "Over the past number of years, we have improved our operating return on equity to 9.5%. Our goal for 2015 is to maintain that momentum and continue to progress steadily toward our ultimate target of a 12% return."

Dividend

The Board of Directors declared a quarterly dividend of \$0.11 per outstanding common share. The dividend is payable on July 2, 2015 to shareholders of record on June 9, 2015.

Financial Summary

\$000s (except per share amounts)	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014	% Change
Direct written premiums	90,886	79,768	14
Net earned premiums	69,197	62,098	11
Underwriting income (loss)	(3,510)	532	(760)
Investment income	5,912	6,134	(4)
Net income	3,157	5,395	(41)
Net operating income ⁽¹⁾	2,062	3,678	(44)
Net income per diluted share	\$0.29	\$0.44	(34)
Net operating income per diluted share ⁽²⁾	\$0.17	\$0.30	(43)
Book value per share	\$16.09	\$14.92	8

(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, foreign exchange gain or loss on investments, 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.

First Quarter Review

Net operating income of \$2.1 million or \$0.17 per share was recorded in the quarter, compared to \$3.7 million or \$0.30 per share in the first quarter of 2014. The decrease was primarily due to an underwriting loss of \$3.5 million in the quarter compared to underwriting income of \$0.5 million for the same period in 2014.

Personal Lines generated underwriting loss of \$3.7 million. Severe winter weather conditions in the Maritimes impacted the frequency of claims in auto and personal property resulting in an underwriting loss of \$2.0 million in Maritimes Personal Lines. In addition, 5 large losses in Ontario auto had a total adverse net impact of approximately \$4.6 million.

Commercial Lines recorded a \$0.4 million underwriting income driven by strong performance in creditor insurance and improved results in commercial property & liability in Ontario. Echelon 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 and true specialty risk programs.

The International division produced underwriting income of \$1.8 million for the quarter, driven by improved results in UK auto, primarily due to management actions to amend underwriting conditions and to cancel unprofitable programs. Warranty, Commercial Property and Accident & Sickness programs written in Scandinavia continue to perform strongly.

In the quarter, Direct Written Premiums increased by 14%, attributable primarily to a \$5.8 million or 14% growth in the International division and the inclusion of premiums written by The Insurance Company of Prince Edward Island (ICPEI).

Investment income was strong at \$5.9 million compared to \$6.1 million in the first quarter of 2014. Total pre-tax return on invested assets was \$8.8 million in the quarter compared to \$9.3 million in the first quarter of 2014. Fixed income assets performed strongly in the quarter; however, Echelon's Canadian preferred share portfolio was negatively impacted by lower Canadian bond yields in the quarter. The fair value of Echelon's investment portfolio, including finance receivables, was \$528 million, down 2% from the fourth quarter of the prior year.

Operating expenses incurred in the first quarter of 2014 increased by 10% over the prior year, in line with the 11% increase in net earned premiums.

On a consolidated basis, a net favourable development of prior year claims of \$2.4 million was recorded in the first quarter of 2015 compared to favourable development of \$3.3 million in the same period in 2014.

Operating Results

Underwriting Income (Loss)⁽¹⁾ \$000s	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Personal Lines	(3,667)	2,295
Commercial Lines	444	(1,012)
International	1,825	387
Key Operating Ratios		
Loss ratio ⁽²⁾	64.3%	57.5%
Expense ratio	40.8%	41.6%
Combined ratio	105.1%	99.1%
Loss Ratios⁽²⁾		
Personal Lines	80.3%	59.5%
Commercial Lines	51.5%	58.3%
International	49.2%	54.9%

(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

Capital Management

The Minimum Capital Test (MCT) ratio of the Company's subsidiary, Echelon Insurance, as at March 31, 2015, was 232%, which comfortably exceeds the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI) and ICPEI's MCT ratio of 249% was in excess of provincial supervisory targets.

In addition to excess capital at Echelon Insurance, the Company has approximately \$23 million of excess deployable capital invested in liquid assets in the holding company. All regulated entities remain well-capitalized.

For the three months ended March 31, 2015, total shareholders' equity increased by \$5.2 million to \$188.8 million from December 31, 2014.

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

Non-IFRS Financial Measures

Echelon 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. Echelon 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 Echelon for 2015 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 Echelon'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.

Echelon does not undertake to update any forward-looking information. Additional information about the risks and uncertainties about Echelon'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 8, 2015, 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 21493510. A live audio feed of the call will be available online through the Company's website at www.echelon-insurance.ca, or directly at <http://www.newswire.ca/en/webcast/detail/1512543/1686275>

A replay of the call will be available until May 15, 2015. To access the replay, call 416-849-0833, or toll free 1-855-859-2056, enter password 21493510.

About Echelon Insurance

Founded in 1997, Echelon Insurance 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. It trades on the Toronto Stock Exchange under the symbol EFH.

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