ECHELON FINANCIAL HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2015

References to "EFH" or "Company" in this Management's Discussion and Analysis refer to Echelon 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 June 30, 2015, and 2014 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 EFH's unaudited condensed consolidated interim financial statements for the second quarter of fiscal 2015 and 2014, 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 2014 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 six months ended June 30, 2015, and 2014.

The following commentary is current as of August 6, 2015. Additional information relating to EFH is available on SEDAR at www.sedar.com. Certain totals, subtotals and percentages may not reconcile due to rounding.

EFH 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. EFH 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, integration costs and excludes any impact of change in discount rate or foreign exchange 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 EFH 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 EFH's control, affect the operations, performance and results of EFH and its business, and could cause actual results to differ materially from the expectations expressed in any of this forward-looking information.

COMPANY OVERVIEW

EFH 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 under-served markets.

EFH operates in Canada through Echelon Insurance ("Echelon"), a federally-regulated P&C insurance company and The Insurance Company of Prince Edward Island ("ICPEI"), a provincially regulated P&C insurance company. It has two lines of insurance business in Canada – Personal Lines and Commercial Lines. Personal Lines focuses on the underwriting of EFH's non-standard automobile insurance and insurance for motorcycles, antique and classic vehicles, trailers, motor homes, recreational vehicles and personal property. Commercial Lines designs and underwrites specialized insurance programs, such as hard to place commercial property, primary and excess liability, creditor insurance, 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 non-standard auto, personal property and warranty insurance for new and existing homes. It commenced writing premiums in 2012 and, to date, the majority of the business written is in the United Kingdom, Ireland and Scandinavia.

QUARTERLY HIGHLIGHTS

- Net operating income of $0.42 per share compared to $0.02 in the second quarter of 2014.
- An underwriting income of $1.7 million for the quarter compared to an underwriting loss of $3.3 million in the second quarter of 2014.
- A combined operating ratio of 97.8% compared to 105.3% in the second quarter of 2014.
- A 36% increase in direct written premiums over the same period in 2014 to $137.8 million, driven by the inclusion of ICPEI and growth in the International division.
- Total pre-tax loss on invested assets of $2.9 million in the quarter compared to a pre-tax return of $6.6 million in the second quarter of 2014.
- A decrease in book value per share of 0.6% in the quarter to $16.00 per share.

The following financial information compares three and six months ended June 30, 2015, results with the same period in 2014.

	3 months ended June 30		6 months ended June 30	
($ THOUSANDS except per share amounts)	**2015**	**2014**	**2015**	**2014**
Direct written and assumed premiums	137,759	101,428	228,645	181,196
Net written premiums	107,854	77,029	177,711	142,194
Net earned premiums	76,025	61,885	145,222	123,983
Claims incurred	44,571	40,482	89,087	76,218
Acquisition costs	21,757	17,741	41,408	35,840
Operating expenses	8,018	6,973	16,557	14,704
Underwriting income/(loss)	1,679	(3,311)	(1,830)	(2,779)
Other income	748	—	748	—
ICPEI Integration Expense	—	(1,347)	—	(1,347)
Investment income	3,950	5,496	9,862	11,630
Impact of foreign exchange - increase in claims	—	(725)	—	(725)
Impact of discount rate - increase in claims	(1,231)	(267)	(1,231)	(267)
Net income/(loss) before income taxes	5,146	(154)	7,549	6,512
Income taxes expense/(recovery)	35	449	(719)	1,720
Net income/(loss)	5,111	(603)	8,268	4,792
Net income attributable to shareholders	4,801	244	8,308	5,539
Net operating income attributable to shareholders	5,081	263	7,142	3,941
Earnings per share on continuing operations				
Basic	$0.41	$0.02	$0.71	$0.47
Diluted	$0.40	$0.02	$0.69	$0.46
Net operating income per share – diluted[1]	$0.42	$0.02	$0.60	$0.33
Return on equity (ROE)[2]	11.8%	1.7%	11.8%	1.7%

(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 items. Net operating income is adjusted to that attributable to shareholders for per share calculation.

(2) ROE calculated on rolling twelve-month basis.

Insurance Operations

Written and Net Earned Premiums

In the second quarter of 2015, direct written premiums increased by $36.3 million, or 36%, to $137.8 million compared to $101.4 million in the same period last year. The increase in written and earned premiums was primarily due to growth in the International division and the inclusion of ICPEI in 2015 results following its purchase on July 1, 2014.

Other Income

Other Income relates to a refund of a reserve true up escrow fund set up on the sale of the company's U.S. operations at the end of 2013.

Incurred Claims

For the quarter ended June 30, 2015, net claims expense increased by $4.1 million or 10% to $44.6 million compared to $40.5 million in the second quarter of 2014, resulting in a decreased loss ratio to 58.6% for the three months ended June 30, 2015, compared to 65.4% for the same period in 2014. This was primarily driven by improved International segment results.

On a consolidated basis, net favourable development of prior year claims of $2.6 million was recorded in the second quarter of 2015 compared to net favourable development of $1.4 million in the same period in 2014.

Acquisition Costs

Acquisition costs, which consist mainly of commissions, premium taxes and a portion of general expenses related to policy acquisition, increased by $4.0 million or 23% to $21.8 million in the quarter ended June 30, 2015, compared to $17.7 million in the same period in 2014, in line with the increase in gross written premiums.

Operating Expenses

Operating expenses increased by $1.0 million or 15% to $8.0 million in the second quarter of 2015 compared to $7.0 million in the comparative quarter, primarily due to the inclusion of ICPEI.

Underwriting Income

Underwriting income of $1.7 million was recorded in the second quarter of 2015 compared to an underwriting loss of $3.3 million in the same period in 2014. The increase was primarily due to higher underwriting income in the International division.

Investment Income

Income from investments was $4.0 million in the second quarter of 2015 compared to $5.5 million in the same period in 2014. The decrease was mainly due to lower mark to market returns from the preferred share portfolio, which were adversely impacted by a cut in interest rates by the Bank of Canada.

Net Income before Income Taxes

For the quarter ended June 30, 2015, net income before taxes was $5.1 million compared to loss of $0.2 million in the second quarter of 2014.

Income Taxes

For the quarter ended June 30, 2015, the provision for income taxes reflects an expense of $35 thousand compared to an expense of $0.4 million for the same period last year.

SEGMENTED FINANCIAL INFORMATION

EFH realigned its segmented reporting such that ICPEI's results will not be disclosed separately but will be included in Personal Lines or Commercial Lines, depending on the type of the business written. Beginning with the quarter ended March 31, 2015, its financial statements will reflect the new segmentation with prior periods adjusted accordingly. This disclosure is consistent with how senior management and the Board regularly review the business for purposes of allocating resources and assessing performance.

Personal Lines

	3 months ended June 30				6 months ended June 30			
($THOUSANDS)	**2015**	**2014**	**$Variance**	**%Variance**	**2015**	**2014**	**$Variance**	**%Variance**
Direct written premiums	48,181	42,315	5,866	14	78,946	67,105	11,841	18
Net earned premiums	34,092	28,167	5,925	21	67,130	55,936	11,194	20
Net claims:								
Current year claims	25,763	19,582	6,181	32	53,479	37,983	15,496	41
Current year loss ratio	75.6%	69.5%			79.7%	67.9%		
Favourable prior year claims development	3,991	3,684	307	8	5,194	5,573	(379)	(7)
Total net claims	21,772	15,898	5,874	37	48,285	32,410	15,875	49
Claims ratio	63.8%	56.4%			71.9%	57.9%		
Expense ratio	30.9%	32.1%			30.9%	32.1%		
Combined ratio	94.7%	88.5%			102.8%	90.0%		
Underwriting income (loss)	1,816	3,306	(1,490)	(45)	(1,850)	5,601	(7,451)	(133)

Second quarter 2015

Personal Lines recorded a 14% increase in direct written premiums primarily due to the inclusion of ICPEI's premiums and the continuing growth in Western Canada in 2015.

Personal Lines underwriting income in the second quarter of 2015 was $1.8 million, compared to $3.3 million in the second quarter of 2014, a decrease of $1.5 million.

This segment’s combined ratio increased to 94.7% in the quarter as a result of the following factors:

1. Increase in the combined ratio for Ontario auto by 4% to 89% compared to the same period in 2014 as mandated rate cuts implemented in mid-2014 took effect.
2. Strong performance in Atlantic auto from policies written by ICPEI due to improved driving conditions
3. Increased positive development of prior year claims of $4.0 million compared to $3.7 million in the same period in 2014.

Year-to-Date 2015

Personal Lines recorded an 18% increase in direct written premiums primarily due to the inclusion of ICPEI's premiums and the continuing growth in Western Canada in 2015.

Personal Lines underwriting loss in the year-to-date 2015 results was $1.9 million, compared to an underwriting income of $5.6 million in 2014, a decrease of $7.5 million.

This segment’s combined ratio increased to 102.8% in the year as a result of the following factors:

1. Severe winter weather conditions in the Maritimes in the first quarter of 2015, adversely impacted the severity and frequency of claims in auto and personal property resulting in an underwriting loss of $1.1 million.
2. Lower underwriting income in Quebec Personal Lines due to an unusual large loss of $0.8 million in the first quarter of 2015.
3. Decreased positive development of prior year claims of $5.2 million compared to $5.6 million in the same period in 2014.

Commercial Lines

	3 months ended June 30				6 months ended June 30			
($THOUSANDS)	2015	2014	$Variance	%Variance	2015	2014	$Variance	%Variance
Direct written premiums	15,197	15,799	(602)	(4)	26,658	27,961	(1,303)	(5)
Net earned premiums	9,048	10,750	(1,702)	(16)	18,551	21,907	(3,356)	(15)
Net claims:								
Current year claims	3,892	5,358	(1,466)	(27)	10,386	13,227	(2,841)	(21)
Current year loss ratio	43.0%	49.8%			56.0%	60.4%		
Favourable (unfavourable) prior year claims development	(802)	(404)	(398)	99	798	966	(168)	(17)
Total net claims	4,692	5,762	(1,070)	(19)	9,588	12,261	(2,673)	(22)
Claims ratio	51.9%	53.5%			51.7%	56.0%		
Expense ratio	45.2%	49.1%			44.6%	50.0%		
Combined ratio	97.1%	102.6%			96.2%	105.9%		
Underwriting income (loss)	254	(290)	544	(188)	698	(1,302)	2,000	154

Second quarter 2015

Commercial Lines recorded underwriting income in the second quarter of 2015 of $0.3 million, compared to an underwriting loss of $0.3 million in the second quarter of 2014, an increase of $0.5 million, as each region improved over prior year results.

This segment’s combined ratio decreased to 97.1% in the quarter as a result of the following factors:

1. Strong results in Ontario Commercial lines compared to the prior year.
2. Atlantic underwriting income of $0.9 million due to the inclusion of ICPEI in 2015.
3. Offset by increased negative development of prior year claims of $0.8 million compared to $0.4 million in the same period in 2014.

Year-to-Date 2015

Commercial Lines recorded underwriting income in the year of $0.7 million, compared to an underwriting loss of $1.3 million in the same period of 2014, an increase of $2.0 million.

This segment’s combined ratio decreased to 96.2% in the quarter as a result of the following factors:

1. Strong performance from creditor insurance with a combined ratio of 89.7%
2. Improved results in Ontario Commercial Lines.
3. There was a minimal impact to underwriting income from cancelled programs.

International Division

	3 months ended June 30				6 months ended June 30			
($THOUSANDS)	**2015**	**2014**	**$Variance**	**%Variance**	**2015**	**2014**	**$Variance**	**%Variance**
Direct written premiums	74,381	43,314	31,067	72	123,041	86,130	36,911	43
Net earned premiums	32,885	22,968	9,917	43	59,541	46,140	13,401	29
Net claims:								
Current year claims	17.506	16,963	543	6	30,167	29,688	479	(1)
Current year loss ratio	53.2%	73.9%			50.7%	64.3%		
Favourable (unfavourable) prior year claims development	(601)	(1,859)	1,258	N/A	(1,047)	(1,859)	812	N/A
Total net claims	18,107	18,822	(715)	(4)	31,214	31,547	(333)	(1)
Claims ratio	55.1%	81.9%			52.4%	68.4%		
Expense ratio	40.6%	41.7%			42.1%	42.6%		
Combined ratio	95.7%	123.6%			94.6%	110.9%		
Underwriting income (loss)	1,408	(5,429)	6,837	(126)	3,233	(5,042)	8,275	164

Second quarter 2015

The International division recorded $74.4 million of written premiums in the second quarter of 2015 compared to $43.3 million in the same period in 2014, an increase of $31.1 million. The strong growth in written premiums is due primarily to the organic growth in existing programs. At the end of the second quarter, the International division wrote programs through 25 MGAs, mainly in the UK, Ireland and Scandinavia.

The International division recorded an underwriting income of $1.4 million in the second quarter compared to underwriting loss of $5.4 million in the comparable period in 2014. This is as a result of:

1. Improved results in U.K. auto that were negatively impacted by adverse weather conditions in the U.K. in the second quarter of 2014.
2. Continuing strong performance in warranty, commercial property and Accident & Sickness in the quarter.
3. Lower negative prior year claims development compared to prior year quarter.

Year-to-Date 2015

The International division recorded $123.0 million of written premiums for the six months ended 2015 compared to $86.1 million in the same period in 2014, an increase of $36.9 million. The strong growth in written premiums is due primarily to the organic growth in existing programs.

The International division recorded an underwriting income of $3.2 million year-to-date compared to an underwriting loss of $5.0 million in the comparable period in 2014. This is a result of:

1. Improved results in UK auto due to improved driving conditions in addition to management action to amend underwriting conditions and to cancel unprofitable programs.
2. Strong performance in Warranty, Commercial Property and Accident & Sickness.
3. Lower negative prior year claims development of $1.0 million in 2015 compared to $1.9 negative development in the same period in 2014.

SUMMARY OF QUARTERLY RESULTS

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

	2015		2014				2013	
($ THOUSANDS EXCEPT PER SHARE DATA)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Direct written and assumed premiums	137,759	90,886	78,832	104,876	101,428	79,768	74,300	62,706
Net earned premiums and other revenue	76,025	69,197	77,491	76,560	61,885	62,098	59,738	50,711
Underwriting income (loss)	1,679	(3,509)	7,584	122	(3,311)	532	(4,309)	1,157
Income (loss) before income taxes	5,146	2,403	10,804	6,467	(154)	6,666	1,428	2,998
Net income (loss)	5,111	3,157	8,404	5,537	(603)	5,395	1,158	2,440
Net operating income	5,081	2,062	9,005	3,944	263	3,678	937	3,798
Earnings per adjusted share								
(a) Basic	$0.41	$0.30	$0.70	$0.42	$0.02	$0.45	$0.17	$0.22
(b) Diluted	$0.40	$0.29	$0.68	$0.41	$0.02	$0.44	$0.16	$0.22
Net operating income per share - diluted	$0.42	$0.17	$0.75	$0.33	$0.02	$0.30	$0.08	$0.32
Selected financial ratios								
Loss ratio	58.6%	64.3%	51.0%	60.4%	65.4%	57.5%	69.5%	61.1%
Expense ratio	39.2%	40.8%	39.2%	39.4%	39.9%	41.6%	37.7%	36.6%
Combined ratio	97.8%	105.1%	90.2%	99.8%	105.3%	99.1%	107.2%	97.7%
Book value per share	$16.00	$16.11	$15.82	$15.19	$14.99	$14.92	$14.57	$13.98

The quarterly results reflect the seasonality of the Company's business. While net earned premiums are relatively stable from quarter to quarter except for acquisition-related growth, 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:

	3 months ended June 30		6 months ended June 30	
($ THOUSANDS except per share amounts)	2015	2014	2015	2014
Net income (loss)	5,111	(603)	8,268	4,792
Impact of discount rate	1,231	267	1,231	267
Impact of foreign exchange - increase in claims	—	725	—	725
Realized (gains) on investments	(1,816)	(1,512)	(4,687)	(3,175)
Foreign exchange (gain) on investments	(261)	—	(1,247)	—
Fair value loss/(gains) on FVTPL investments	1,977	(801)	3,854	(1,353)
Other Income	(748)	0	(748)	0
ICPEI integration expense	—	1,347	—	1,347
Tax impact (1)	(103)	(7)	431	591
Net operating income (loss)	5,391	(584)	7,102	3,194
Non-controlling interest	(310)	847	40	747
Net operating income (loss) attributable to shareholders	5,081	263	7,142	3,941
Net operating income per share – diluted	$0.42	$0.02	$0.60	$0.33

(1) Statutory tax rate utilized for calculation purposes.

BALANCE SHEET ANALYSIS

The Balance Sheet analysis that follows should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2015, and notes therein.

Balance Sheet Highlights

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

($ THOUSANDS except per share amounts)	As at June 30, 2015	As at December 31, 2014
Cash and short-term deposits	35,162	27,326
Investments	488,158	504,290
Total assets	819,932	740,299
Provision for unpaid claims	363,026	344,692
Unearned premiums	215,412	168,555
Total equity attributable to shareholders	187,755	183,616
Book value per share [1]	$16.00	$15.82
MCT Ratio - Echelon Insurance	220%	211%
- ICPEI	261%	230%

[1] Shareholders' equity divided by the number of shares issued and outstanding.

Investments

EFH has an investment policy that seeks to provide a stable income base to support EFH'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.

EFH'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.

Fair Value of Investments

The following table sets forth EFH's invested assets as at June 30, 2015, and December 31, 2014.

	Carrying and fair values			
Available-for-sale	**As at June 30, 2015**	**% of Total**	**As at December 31, 2014**	**% of Total**
Fixed income				
Canadian				
Federal	55,454		74,579	
Provincial	42,639		48,978	
Municipal	542		2,235	
Corporate	167,948		182,441	
	266,583		308,233	
Fixed income lent through securities lending program				
Federal	17,282		10,985	
Provincial	13,788		435	
Corporate	7,266		4,609	
	38,336		16,029	
Foreign fixed income				
Government	19,968		25,964	
Corporate	78,128		69,088	
	98,096		95,052	
Total fixed income	403,015	83%	419,314	83%
Pooled fund	2,214		2,173	
Money market pooled funds	491		110	
Short-term fixed income and mortgage pooled funds	16,702		16,476	
Total Pooled Funds	19,407	4%	18,759	4%
Common shares				
Canadian	8,134		7,784	
Foreign	16,061		13,690	
Total common shares	24,195	5%	21,474	4%
Total available-for-sale	446,617		459,547	
Fair value through profit or loss				
Preferred shares	41,536		44,323	
Preferred shares lent through securities lending program	5		420	
Total Preferred shares	41,541	8%	44,743	9%
Total investments	488,158	100%	504,290	100%

Impairment Assets and Provisions for Losses

EFH 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 reduced investment income in the year recorded.

There was no impairment loss recognized during the six months ended June 30, 2015 and 2014.

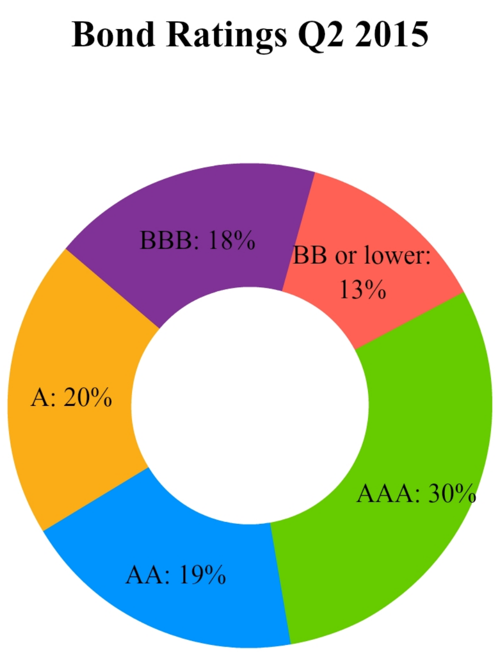
A gross unrealized loss of $3.9 million (June 30, 2014 – $1.2 million) on investments held as at June 30, 2015, is recorded, net of tax, in the amount of $3.0 million (June 30, 2014 – $0.9 million) in Accumulated Other Comprehensive Income. The Company has concluded, based on its review, these fair value deficiencies do not meet the criteria for impairment and they will be monitored on an ongoing basis.

Fixed Income Securities

EFH 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. EFH'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.

EFH's bond portfolio has a high overall credit quality with an average rating of A. The preferred shares have an average rating of P2. The duration of the bond portfolio is 3.1 years.

The charts below set forth EFH's fixed income and preferred share portfolios by credit quality determined by Rating agencies ratings as at June 30, 2015.



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Sector Mix by Asset Class

The following table shows sector exposure by asset class as at June 30, 2015:

Sector	Fixed Income Securities & Pooled Funds	Preferred Shares	Common Shares	Total
Financial Services	33%	57%	20%	35%
Government	37%	—%	—%	32%
Infrastructure	8%	1%	—%	7%
Telecommunication	7%	—%	6%	6%
Consumer Discretionary	3%	—%	31%	4%
Energy	4%	—%	8%	4%
Utilities	2%	18%	8%	4%
Pipelines	2%	18%	—%	4%
Industrial Products	3%	6%	8%	3%
Technology	—%	—%	13%	1%
Other	1%	—%	6%	—%
Total	100%	100%	100%	100%
Total	421,903	41,541	24,195	487,639

Common Share Portfolio

As at June 30, 2015, 34% of the common share portfolio was invested in Canadian equities with 66% in U.S. equities.

Recoverable from Reinsurers

($ THOUSANDS)	As at June 30, 2015	As at December 31, 2014
Reinsurers' share of unpaid claims	63,740	48,737
Reinsurers' share of unearned premiums	53,348	37,528
Total	117,088	86,265

As at June 30, 2015, the recoverable from reinsurers increased by $30.8 million, or 35.7%, to $117.1 million from $86.3 million as at December 31, 2014. The increase was due to increased reinsured premiums in the International division. 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 EFH, for whom EFH holds deposits as collateral.

Accounts Receivable

($ THOUSANDS)	As at June 30, 2015	As at December 31, 2014
Agents and brokers	61,919	31,757
Premium financing receivables	21,916	15,962
Other	8,661	5,007
Total	92,496	52,726

Premium financing receivables represents 23.7% of total receivables as at June 30, 2015. Premium financing receivables increased to $21.9 million at June 30, 2015, from $16.0 million at December 31, 2014 due to seasonality of the premiums. The increase in agent and broker receivables from $31.8 million in 2014 to $61.9 million in 2015 was mainly a result of increased balances due to Qudos and seasonality of the premiums.

Provision for Unpaid Claims

EFH 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 EFH. 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 and are determined by EFH's appointed actuary. Provisions for unpaid claims are discounted to present value. The discount rate used for June 30, 2015, was 1.73%, a decrease of 0.19% from December 31, 2014.

Share Capital

As of August 5, 2015, there were 11,738,486 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 EFH's financial commitments and obligations as they come due. EFH 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 $1.6 million is due in less than a year and $3.9 million is due over the next nine years.

EFH is primarily a holding company and, as such, has limited direct operations of its own. EFH's principal assets are the shares of its insurance and reinsurance 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 EFH.

Capital Management

The total capitalization of EFH at June 30, 2015, was $191.9 million compared to $187.5 million at December 31, 2014.

The Minimum Capital Test (MCT) ratio of the Company's Canadian subsidiary, Echelon Insurance, as at June 30, 2015, was 220%, which comfortably exceeds the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI). ICPEI's MCT ratio of 261% was in excess of provincial supervisory targets. The Company's European subsidiary, Qudos, had a Danish Financial Services Authority (DKFSA) Individual Solvency ratio of 126%, in excess of the DKFSA target. In June 2015, the Company injected $5 million of capital into its European subsidiary to support its strong premium growth and strengthen its regulatory ratios. The Company's ownership stake will remain at 93% assuming no minority interest earn in, an increase from 75% as at June 30, 2014.

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.

Normal Course Issuer Bid (NCIB)

On April 8, 2013, the Company received approval from the TSX to commence a normal course issuer bid (NCIB) to repurchase and cancel up to 665,559 common shares representing 10% of its public float issued and outstanding common share at that time. The NCIB expired on April 9, 2014.

On August 19, 2014, the Company received approval from the TSX to commence an NCIB to repurchase and cancel up to 703,792 common shares, representing 10% of its public float issued and outstanding common shares at that time. This is in force until August 20, 2015.

In the second quarter, the Company purchased and cancelled 46,900 common shares under the NCIB program at an average cost of $12.94 per share for a total consideration of $0.6 million.

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 June 30, 2015.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

For a description of EFH's accounting policies, which are on an IFRS basis, refer to note 3 in the condensed consolidated interim financial statements for the quarter ended June 30, 2015. A description of EFH'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 EFH 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 June 30, 2015, 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 June 30, 2015, 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 June 30, 2015, 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 June 30, 2015, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

GLOSSARY OF SELECTED INSURANCE TERMS

“Combined ratio” of an insurer for any period means the sum of the loss ratio and the expense ratio of the insurer for such period.

“Direct written premiums” of an insurer for any period means the total premiums on insurance, including assumed reinsurance, written by the insurer during such period.

“Expense ratio” for any period means the sum of expenses, including commissions, premium taxes and operating expenses incurred, expressed as a percentage of net earned premiums.

“Loss ratio” for any period means the sum of claims and claims adjustment expenses incurred, net of reinsurance, expressed as a percentage of net earned premiums.

"MGAs" refers to Managing General Agencies

“Minimum Capital Test” means the OSFI’s Minimum Capital Test (MCT) Guideline under which a federally regulated insurer is measured for the adequacy of its capital.

“Net earned premiums” of an insurer means the portion of the written premium equal to the expired portion of the time for which insurance or reinsurance was in effect.

“Net written premiums” of an insurer means direct written premiums less amounts ceded to reinsurers.

“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.

“Return on equity” or “ROE” for a period means net income expressed as a percentage of the average total shareholder equity in that period.

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

“Unearned premiums” means the portion of premiums received relating to the period of risk in subsequent accounting periods and which is deferred to such subsequent accounting periods.