ECHELON FINANCIAL HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended September 30, 2015

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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 September 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 third 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 September 30, 2015, and 2014.

The following commentary is current as of November 5, 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 $0.15 per share compared to $0.33 in the third quarter of 2014.
- An underwriting loss of $0.7 million for the quarter compared to an underwriting income of $0.1 million in the third quarter of 2014.
- A combined operating ratio of 100.8% compared to 99.7% in the third quarter of 2014.
- A 25% increase in direct written premiums over the same period in 2014 to $131.2 million, primarily driven by growth in the International division.
- Total pre-tax loss on invested assets of $1.2 million in the quarter compared to a pre-tax return of $4.3 million in the third quarter of 2014 primarily due to mark to market losses on Canadian preferred shares.
- A decrease in book value per share of 2.8% in the quarter to $15.55 per share.

The following financial information compares three and nine months ended September 30, 2015, results with the same periods in 2014.

($ THOUSANDS except per share amounts)	3 months ended September 30 2015	3 months ended September 30 2014	9 months ended September 30 2015	9 months ended September 30 2014
Direct written and assumed premiums	131,164	104,876	359,809	286,072
Net written premiums	94,763	80,199	272,474	222,393
Net earned premiums	84,186	76,560	229,408	200,543
Net claims incurred	51,750	46,239	140,837	122,457
Net acquisition costs	24,452	21,551	65,860	57,391
Operating expenses	8,662	8,649	25,219	23,352
Underwriting (loss) / income	(678)	122	(2,508)	(2,657)
Other income	—	—	748	—
ICPEI integration expense	—	—	—	(1,347)
Investment (loss) / income	(2,763)	6,345	7,099	17,974
Impact of foreign exchange – increase in claims	(251)	—	(251)	(725)
Impact of discount rate – increase in claims	(441)	—	(1,672)	(267)
Net (loss) / income before income taxes	(4,133)	6,466	3,416	12,978
Income taxes (recovery) / expense	(401)	930	(1,120)	2,650
Net (loss) / income	(3,732)	5,536	4,536	10,328
Net (loss) / income attributable to shareholders	(3,640)	4,919	4,668	10,458
Net operating income attributable to shareholders	1,754	3,944	8,896	8,277
Earnings / (loss) per share on continuing operations				
Basic	($0.31)	$0.42	$0.40	$0.89
Diluted	($0.31)	$0.41	$0.39	$0.87
Net operating income per share – diluted (1)	$0.15	$0.33	$0.74	$0.68
Trailing twelve month return on equity (ROE) (2)	7.2%	7.7%	7.2%	7.7%

(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 and investments, 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

Direct Written and Net Earned Premiums

In the third quarter of 2015, direct written premiums increased by $26.3 million, or 25%, to $131.2 million compared to $104.9 million in the same period last year. Net earned premiums increased by $7.6 million, or by 10%, to $84.2 million compared to $76.6 million in the same period last year. The increase in written and earned premiums was primarily due to growth in the International division.

Claims Incurred

For the quarter ended September 30, 2015, net claims expense increased by $5.5 million, or 12%, to $51.8 million compared to $46.2 million in the third quarter of 2014, resulting in an increased loss ratio to 61.5% for the three months ended September 30, 2015, compared to 60.4% for the same period in 2014. This was primarily driven by weak results in the International segment.

On a consolidated basis, net favourable development of prior year claims of $4.8 million was recorded in the third quarter of 2015 compared to net favourable development of $5.6 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 $2.9 million or 13% to $24.5 million in the quarter ended September 30, 2015, compared to $21.6 million in the same period in 2014, in line with the increase in net earned premiums.

Operating Expenses

Operating expenses remained in line with 2014, as expenses were $8.7 million in the third quarter of 2015 compared to $8.6 million in the comparative quarter.

Corporate expenses include $1.0 million of favourable development on prior year claims reserves of ICPEI that in accordance with terms of the share purchase agreement are payable to SGI Canada on January 1, 2019, up to a maximum of $1.5 million. In the event that prior period losses are greater than the reserves held at June 30, 2014, SGI Canada will be required to pay Echelon the difference on January 1, 2019, to a maximum of $1.5 million.

Excluding the ICPEI purchase price adjustment of $1.0 million, total operating expenses decreased by 11% compared to the comparative quarter primarily due to lower technology related amortization.

Underwriting Income

Underwriting loss of $0.7 million was recorded in the third quarter of 2015 compared to underwriting income of $0.1 million in the same period in 2014. The decrease was primarily due to lower underwriting income in the International division.

Investment Income

There were investment losses of $2.8 million in the third quarter of 2015 compared to an income of $6.3 million in the same period in 2014. The decrease was mainly due to negative quarterly mark-to-market movements of $5.6 million in the preferred share portfolio, which was adversely impacted by a cut in interest rates by the Bank of Canada and a corresponding decline in the 5-year Government of Canada rate. Fixed income was adversely impacted by increasing interest rates in Europe and widening corporate spreads globally. These losses were partially offset by currency gains due to the strengthening of the Euro to the Canadian dollar.

Net Income before Income Taxes

For the quarter ended September 30, 2015, net loss before taxes was $4.1 million compared to income of $6.5 million in the third quarter of 2014.

Income Taxes

For the quarter ended September 30, 2015, the provision for income taxes reflects a recovery of $0.4 million compared to an expense of $0.9 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 reflected 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 September 30				9 months ended September 30			
($THOUSANDS)	**2015**	**2014**	**$Variance**	**%Variance**	**2015**	**2014**	**$Variance**	**%Variance**
Direct written premiums	37,332	35,908	1,424	4	116,278	103,013	13,265	13
Net earned premiums	33,935	34,843	(908)	(3)	101,065	90,779	10,286	11
Net claims:								
Current year claims	24,696	24,826	(130)	(1)	78,175	62,809	15,366	24
Current year loss ratio	72.8%	71.3%			77.4%	69.2%		
Favourable prior year claims development	3,143	2,033	1,110	55	8,337	7,606	731	10
Total net claims	21,553	22,793	(1,240)	(5)	69,838	55,203	14,635	27
Claims ratio	63.5%	65.4%			69.1%	60.8%		
Expense ratio	31.1%	33.3%			30.9%	32.5%		
Combined ratio	94.6%	98.7%			100.0%	93.3%		
Underwriting income (loss)	1,856	478	1,378	288	6	6,079	(6,073)	(100)

Third quarter 2015

Personal Lines recorded a 4% increase in direct written premiums primarily due to the growth in non-standard auto in Ontario, Quebec and Atlantic Canada.

Personal Lines underwriting income in the third quarter of 2015 was $1.9 million, compared to underwriting income of $0.5 million in the third quarter of 2014, an increase of $1.4 million.

This segment's combined ratio improved to 94.6% in the quarter as a result of the following factors:

1. Strong Personal Lines performance in Atlantic Canada, Quebec and Western Canada in the period.
2. Improvement by 3% in the Ontario Personal Lines combined ratio to 92% compared to the same period in 2014.
3. Increased positive development of prior year claims of $3.1 million compared to $2.0 million in the same period in 2014.

Year-to-Date 2015

Personal Lines recorded a 13% increase in direct written premiums primarily due to the inclusion of ICPEI's premiums for the full year and continued growth in Western Canada in 2015.

Personal Lines broke even from an underwriting income perspective year-to-date 2015, compared to underwriting income of $6.1 million in 2014.

This segment's combined ratio increased to 100.0% in the year as a result of the following factors:

1. Severe winter weather conditions in the Maritimes in the first quarter of 2015 that impacted the severity and frequency of claims in auto and personal property resulting in an underwriting loss of $2.0 million in Maritimes Personal Lines.
2. Four large losses reported in Ontario auto in the first quarter of 2015, which reduced the underwriting profit of Ontario Personal Lines by approximately $3.8 million.
3. Lower underwriting income in Quebec Personal Lines due to an unusual large loss of $0.8 million in the first quarter of 2015.
4. The above factors were partially offset by increased positive development of prior year claims of $8.3 million compared to $7.6 million in the same period in 2014.

Commercial Lines

($THOUSANDS)	3 months ended September 30				9 months ended September 30			
	2015	2014	$Variance	%Variance	2015	2014	$Variance	%Variance
Direct written premiums	13,437	11,669	1,768	15	40,095	39,630	465	1
Net earned premiums	12,947	9,510	3,437	36	31,498	31,417	81	0
Net claims:								
Current year claims	9,568	5,561	4,007	72	19,957	18,788	1,169	6
Current year loss ratio	73.9%	58.5%			63.4%	59.8%		
Favourable (unfavourable) prior year claims development	2,850	1,938	912	47	3,651	2,904	747	26
Total net claims	6,718	3,623	3,095	85	16,306	15,884	422	3
Claims ratio	51.9%	38.1%			51.8%	50.6%		
Expense ratio	32.7%	53.4%			39.7%	51.0%		
Combined ratio	84.6%	91.5%			91.5%	101.6%		
Underwriting income (loss)	1,993	804	1,189	148	2,691	(498)	3,189	640

Third quarter 2015

Commercial Lines recorded underwriting income in the third quarter of 2015 of $2.0 million, compared to an underwriting income of $0.8 million in the third quarter of 2014, an increase of $1.2 million, as each region improved over prior year results.

This segment's combined ratio improved to 84.6% in the quarter as a result of the following factors:

1. Strong results in Quebec Commercial lines and Western Canada commercial property compared to to the prior year.
2. Increased positive development of prior year claims of $2.9 million compared to $1.9 million in the same period in 2014.

Year-to-Date 2015

Commercial Lines recorded underwriting income in the year of $2.7 million, compared to an underwriting loss of $0.5 million in the same period of 2014, an increase of $3.2 million.

This segment's combined ratio decreased to 91.5% in the year as a result of the following factors:

1. Improved results in Ontario Commercial Lines and there was a minimal impact to underwriting income from cancelled programs.
2. Increased positive development of prior year claims of $3.7 million, compared to $2.9 million in the same period in 2014.

International Division

	3 months ended September 30				9 months ended September 30			
($THOUSANDS)	**2015**	**2014**	**$Variance**	**%Variance**	**2015**	**2014**	**$Variance**	**%Variance**
Direct written premiums	80,395	57,299	23,096	40	203,436	143,429	60,007	42
Net earned premiums	37,304	32,207	5,097	16	96,845	78,347	18,498	24
Net claims:								
Current year claims	22,238	21,421	817	4	52,405	51,109	1,296	3
Current year loss ratio	59.6%	66.5%			54.1%	65.2%		
Favourable (unfavourable) prior year claims development	(1,241)	1,598	(2,839)	(178)	(2,288)	(261)	(2,027)	(776)
Total net claims [(1)]	23,479	19,823	3,656	18	54,693	51,370	3,323	6
Claims ratio	62.9%	61.5%			56.5%	65.6%		
Expense ratio	42.7%	36.6%			42.4%	40.1%		
Combined ratio	105.6%	98.1%			98.8%	105.7%		
Underwriting income (loss)	(2,098)	568	(2,666)	(469)	1,135	(4,473)	5,608	125

(1) Before impact of change in foreign exchange rate increasing claims by $0.3 million in quarter in 2015 compared to nil in the same period 2014.

Third quarter 2015

The International division recorded $80.4 million of written premiums in the third quarter of 2015 compared to $57.3 million in the same period in 2014, an increase of $23.1 million. The strong growth in written premiums is due to organic growth in existing programs. At the end of the third quarter, the International division wrote programs through 25 MGAs, mainly in the UK, Ireland and Scandinavia.

The International division recorded an underwriting loss of $2.1 million in the third quarter compared to underwriting income of $0.6 million in the comparable period in 2014. This is as a result of:

1. Higher claims frequency than expected from the UK based telematics learning driver program that has now been provided a provisional notice of cancellation.
2. Negative development of prior year claims of $1.2 million compared to positive development of $1.6 million in the same period of 2014.
2. Offset by strong results in the Warranty and Accident & Sickness programs.

Year-to-Date 2015

The International division recorded $203.4 million of written premiums year-to-date compared to $143.4 million in the same period in 2014, an increase of $60.0 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 $1.1 million year-to-date compared to an underwriting loss of $4.5 million in the comparable period in 2014. This is a result of:

1. Improved results in UK auto in the first half of 2015 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. The above factors were offset by negative prior year claims development of $2.3 million in 2015 compared to $0.3 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)	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Direct written and assumed premiums	131,164	137,759	90,886	78,832	104,876	101,428	79,768	74,300
Net earned premiums and other revenue	84,186	76,025	69,197	77,491	76,560	61,885	62,098	59,738
Underwriting income (loss)	(678)	1,679	(3,509)	7,584	122	(3,311)	532	(4,309)
Income (loss) before income taxes	(4,133)	5,146	2,403	10,804	6,466	(154)	6,666	1,428
Net income (loss)	(3,732)	5,111	3,157	8,404	5,536	(603)	5,395	1,158
Net operating income	1,754	5,081	2,062	9,005	3,944	263	3,678	937
Earnings (loss) per adjusted share								
(a) Basic	($0.31)	$0.41	$0.30	$0.70	$0.42	$0.02	$0.45	$0.17
(b) Diluted	($0.31)	$0.40	$0.29	$0.68	$0.41	$0.02	$0.44	$0.16
Net operating income per share - diluted	$0.15	$0.42	$0.17	$0.75	$0.33	$0.02	$0.30	$0.08
Selected financial ratios								
Loss ratio	61.5%	58.6%	64.3%	51.0%	60.4%	65.4%	57.5%	69.5%
Expense ratio	39.3%	39.2%	40.8%	39.2%	39.4%	39.9%	41.6%	37.7%
Combined ratio	100.8%	97.8%	105.1%	90.2%	99.8%	105.3%	99.1%	107.2%
Book value per share	$15.55	$16.00	$16.11	$15.82	$15.19	$14.99	$14.92	$14.57

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 September 30		9 months ended September 30	
($ THOUSANDS except per share amounts)	**2015**	**2014**	**2015**	**2014**
Net income (loss)	(3,732)	5,536	4,536	10,328
Impact of discount rate	441	—	1,672	267
Impact of foreign exchange - increase in claims	251	—	251	725
Realized (gains) on investments	(198)	(1,599)	(4,885)	(4,774)
Foreign exchange (gain) on investments	1,297	—	50	—
Fair value loss/(gains) on FVTPL investments	5,598	264	9,452	(1,089)
Other Income	—	—	(748)	—
ICPEI integration expense	—	—	—	1,347
Tax impact [(1)]	(1,995)	360	(1,564)	1,343
Net operating income	1,662	4,561	8,764	8,147
Non-controlling interest	92	(617)	132	130
Net operating income attributable to shareholders	1,754	3,944	8,896	8,277
Net operating income per share – diluted	$0.15	$0.33	$0.74	$0.68

[(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 nine months ended September 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 September 30, 2015	As at December 31, 2014
Cash and short-term deposits	29,679	27,326
Investments	506,447	504,290
Total assets	865,699	740,299
Provision for unpaid claims	382,136	344,692
Unearned premiums	240,700	168,555
Total equity attributable to shareholders	182,542	183,616
Book value per share [1]	$15.55	$15.82
MCT Ratio - Echelon Insurance	216%	211%
- ICPEI	267%	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 September 30, 2015, and December 31, 2014.

($ Thousands)	Carrying and fair values			
Available-for-sale	**As at September 30, 2015**	**% of Total**	**As at December 31, 2014**	**% of Total**
Fixed income				
Canadian				
Federal	36,417		74,579	
Provincial	50,823		48,978	
Municipal	536		2,235	
Corporate	181,623		182,441	
	269,399		308,233	
Fixed income lent through securities lending program				
Federal	14,822		10,985	
Provincial	6,530		435	
Corporate	7,714		4,609	
	29,066		16,029	
Foreign fixed income				
Government	18,784		25,964	
Corporate	98,864		69,088	
	117,648		95,052	
Foreign lent through securities lending program				
Corporate	487			
Total fixed income	416,600	82%	419,314	83%
Commercial mortgages pooled funds	13,829		2,173	
Money market pooled funds	257		110	
Short-term fixed income and mortgage pooled funds	16,721		16,476	
Total Pooled Funds	30,807	6%	18,759	4%
Common shares				
Canadian	6,859		7,784	
US	15,561		13,690	
Total common shares	22,420	5%	21,474	4%
Total available-for-sale	469,827		459,547	
Fair value through profit or loss				
Preferred shares	36,615		44,323	
Preferred shares lent through securities lending program	5		420	
Total Preferred shares	36,620	7%	44,743	9%
Total investments	506,447	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 nine months ended September 30, 2015 and 2014.

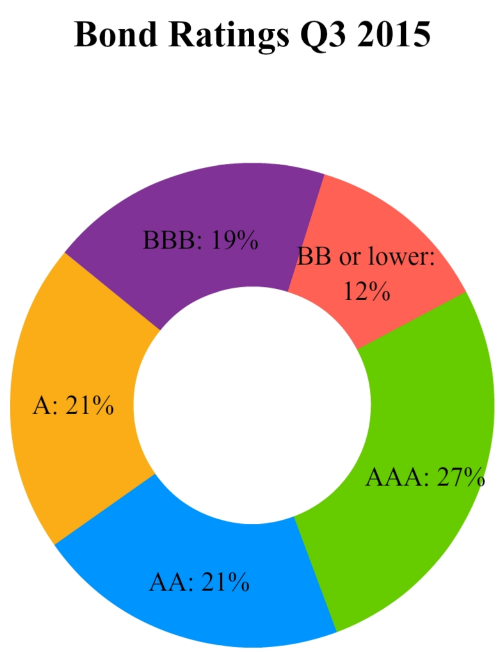
A gross unrealized loss of $4.4 million (September 30, 2014 – $2.4 million) on investments held as at September 30, 2015, is recorded, net of tax, in the amount of $3.6 million (September 30, 2014 – $1.8 million) in Accumulated Other Comprehensive Income. The Company has concluded, based on its review, 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 years.

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



Sector Mix by Asset Class

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

Sector	Fixed Income Securities & Pooled Funds	Preferred Shares	Common Shares	Total
Financial Services	38%	59%	20%	38%
Government	30%	—%	—%	27%
Infrastructure	9%	1%	—%	8%
Telecommunication	6%	—%	6%	6%
Consumer Discretionary	3%	—%	31%	4%
Energy	3%	—%	6%	4%
Industrial Products	3%	5%	8%	3%
Pipelines	2%	16%	—%	3%
Utilities	2%	19%	10%	3%
Technology	—%	—%	14%	1%
Other	4%	—%	5%	3%
Total	100%	100%	100%	100%
Total (1) ($ Thousands)	$446,640	$36,620	$22,420	$505,679

(1) Fixed income securities & pooled funds do not include any cash being carried by the pooled funds, $0.8 million as at September 30, 2015.

Common Share Portfolio

As at September 30, 2015, 31% of the common share portfolio was invested in Canadian equities with 69% in U.S. equities.

Recoverable from Reinsurers

($ THOUSANDS)	As at September 30, 2015	As at December 31, 2014
Reinsurers' share of unpaid claims	73,538	48,737
Reinsurers' share of unearned premiums	69,930	37,528
Total	143,468	86,265

As at September 30, 2015, the recoverable from reinsurers increased by $57.2 million, or 66.3%, to $143.5 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 September 30, 2015	As at December 31, 2014
Agents and brokers	59,904	31,757
Premium financing receivables	20,186	15,962
Other	8,118	5,007
Total	88,208	52,726

Premium financing receivables represents 22.9% of total receivables as at September 30, 2015. Premium financing receivables increased to $20.2 million at September 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 $59.9 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 September 30, 2015, was 1.73%, a decrease of 0.19% from December 31, 2014.

Share Capital

As of November 5, 2015, there were 11,712,786 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 $1.4 million is due in less than a year and $9.3 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 September 30, 2015, was $186.6 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 September 30, 2015, was 216%, which comfortably exceeds the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI). ICPEI's MCT ratio of 267% was in excess of provincial supervisory targets. The Company's European subsidiary, Qudos, had a Danish Financial Services Authority (DKFSA) Individual Solvency ratio of 120%, in excess of the DKFSA target. In September 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 has increased to 95.5% assuming no minority interest earn in, an increase from 93% as at June 30, 2015.

In addition to excess capital at Echelon Insurance, the Company has approximately $17 million of excess deployable capital invested in liquid assets in the holding company.

Normal Course Issuer Bid (NCIB)

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 was in force until August 20, 2015.

On October 8, 2015, the Company received approval from the TSX to commence an NCIB to repurchase and cancel up to 619,265 common shares, representing 10% of its public float issued and outstanding common shares at that time. This is in force until October 7, 2016.

In the third quarter of 2015 there were no buy backs; and from October 8 to November 5, 2015, the Company purchased and cancelled 27,700 common shares under the NCIB program at an average cost of $14.21 per share for a total consideration of $0.4 million.

ACCOUNTING POLICIES

The unaudited 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 September 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 unaudited condensed consolidated interim financial statements for the quarter ended September 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 September 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 September 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 September 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 September 30, 2015, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Compliance with NI 58-101F1- Disclosure of Gender Diversity in Board of Directors and Executive Management

The Board has approved a diversity policy which recognizes the importance of diversity. The diversity policy provides that the Company will recruit and retain the most qualified persons to serve on the Board and within the Company based upon the needs of the Company and the Board. The Nominating Committee, which is responsible for the director nominee selection process, is responsible for implementing the diversity policy. In identifying the highest quality director nominees the Committee reviews present and future needs of the Company, focusing on the merits of an individual and ensuring a balance of expertise, skills, personal attributes and backgrounds on the Board. Diversity, including the level of representation of women on the Board, is a key criteria to be considered in the selection process. The Company also considers the level of representation of women in executive officer positions, through the principles of the Board's Diversity Policy and by the implementation of the policy by senior management when considering candidates for executive management positions. The Company has not adopted targets for the level of representation of women on the Board or in executive officer positions because the Company believes that it should not focus on a specific identified group. It is only through access to the broadest and most diverse pool of talent will the Company be able to ensure a wide range of perspectives and experience. The diversity policy commits the Company to actively recruiting and advancing women into Board and executive management positions. Currently 25% (2 of 8) directors of the Company and 16.6% (3 of 18) of the executive officers of the Company and its major subsidiaries are women.

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.