ECHELON FINANCIAL HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2017

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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 March 31, 2017, and 2016 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 first quarter of fiscal 2017 and 2016, 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 2016 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 three months ended March 31, 2017 and 2016.

The following commentary is current as of May 3, 2017. 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 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 2017 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. The Company underwrites automobile insurance and other specialty insurance products, with a focus on niche under-served markets.

On March 7, 2017, the Company completed the sale of its European operations. The European operation results are referred to as discontinued operations in this document.

EFH operates 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 – Personal Lines and Commercial Lines. Personal Lines focuses on the underwriting of non-standard automobile insurance and insurance for motorcycles, antique and classic vehicles, trailers, motorhomes, recreational vehicles and personal property. Commercial Lines designs and underwrites specialized insurance programs, such as commercial property, commercial automobile, long-haul trucking, surety, liability, creditor insurance, and extended warranty.

Results relating to the discontinued International segment have been excluded, and accordingly prior year comparatives have been restated to current year presentation. The restatement was made for comparative purposes only and does not affect net income after taxes.

FIRST QUARTER HIGHLIGHTS

- Net operating income on continued operations of $0.19 per share compared to an income of $0.09 per share in the first quarter of 2016.
- A Canadian combined operating ratio of 94% compared to 100% in the first quarter of 2016 driven by strong results in both Personal Lines and Commercial Lines.
- A 30% increase in direct written premiums over the same period in 2016 to $54.6 million as a result of growth in existing products in Personal Lines and new Commercial Lines products.
- Total pre-tax gain on invested assets of $5.1 million in the quarter compared to a pre-tax loss of $0.6 million in the first quarter of 2016 due to strong Preferred shares and Fixed Income performance.
- Closing book value per share of $12.10, an increase of 3.4% over the fourth quarter of 2016.

The following financial information compares three months ended March 31, 2017 results with the same period in 2016.

($ THOUSANDS except per share amounts)	3 months ended March 31 2017	2016	Change $	%
Direct written and assumed premiums	54,586	42,121	12,465	30
Net written premiums	50,076	38,709	11,367	29
Net earned premiums	49,025	43,348	5,677	13
Net claims incurred	28,868	28,303	565	2
Net acquisition costs	12,051	9,784	2,267	23
Operating expenses	7,390	7,316	74	1
Underwriting income (loss)	716	(2,055)	2,771	NM
Severance expense	—	1,484	(1,484)	100
Investment income	8,487	3,945	4,542	115
Net income before interest and income taxes	9,203	406	8,797	2,167
Interest expense	71	44	27	61
Income tax expense (recovery)	1,666	(539)	2,205	409
Net income	7,466	901	6,565	729
Net income attributable to shareholders	7,455	943	6,512	691
Net operating income attributable to shareholders	2,316	1,025	1,291	126
Earnings per share				
Basic	$0.63	$0.08	$0.55	688
Diluted	$0.62	$0.08	$0.54	675
Net operating income per share – diluted [1]	$0.19	$0.09	$0.10	111
Trailing twelve month return on equity (ROE) - continuing operations [2]	8.2%	6.7%		

[1] Net operating income is defined as underwriting income plus interest and dividend income, net of tax. Underwriting income excludes impact of change in claims discount rates, and non-recurring items. Net investment income consists of interest income, dividend income and premium financing charges, less interest expense, as per Note 6 of the Company's Financial Statements. 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, Net Written and Net Earned Premiums

In the first quarter of 2017, direct written premiums increased by 30% compared to the same period last year to $54.6 million, while net written premiums increased by 29% to $50.1 million. Net earned premiums increased by 13% compared to the same period prior year. The increase in premium was driven by growth in Ontario personal auto and Quebec commercial lines.

Claims Incurred

For the quarter ended March 31, 2017, net claims expense increased by 2%, lower than the increase in premiums due to strong performance of auto, motorcycle and commercial property products.

Net favourable development of prior year claims of $3.3 million was recorded in the first quarter of 2017 compared to net favourable development of $2.1 million in the same period in 2016.

Acquisition Costs

Acquisition costs, which consist mainly of commissions, premium taxes and a portion of general expenses related to policy acquisitions, increased by 23%, in the quarter ended March 31, 2017, due to increase in premium and change of mix of business.

Operating Expenses

Operating expenses increased slightly by $0.1 million or 1%, to $7.4 million in the first quarter of 2017 compared to $7.3 million in the comparative quarter.

Underwriting Income

Underwriting income of $0.7 million was recorded in the first quarter of 2017 compared to an underwriting loss of $2.1 million in the same period in 2016. The improvement in underwriting income was due to strong commercial and personal lines case ratio in addition to higher redundancies in prior year claims.

Investment Income

Investment income was $8.5 million compared to $3.9 million in the first quarter of 2016 primarily due to realized foreign exchange gains of $4.3 million arising on investment hedges from the sale of the European operations.

Net Income before Income Taxes

For the quarter ended March 31, 2017, net income before taxes was $9.2 million compared to income of $0.4 million in the first quarter of 2016 due to increased underwriting and investment income in the quarter.

Income Taxes

For the quarter ended March 31, 2017, the provision for income taxes reflects an expense of $1.7 million compared to a recovery of $0.5 million for the same period last year.

SEGMENTED FINANCIAL INFORMATION (Continued Operations)

The segmented results below exclude corporate expenses.

Canadian Operations

	3 months ended March 31			
($THOUSANDS)	**2017**	**2016**	**$Change**	**%Change**
Direct written premiums	54,586	42,121	12,465	30
Net earned premiums	49,025	43,348	5,677	13
Net claims:				
Current year claims	32,148	30,371	1,777	6
Current year loss ratio	65.6%	70.1%		
Favourable prior year claims development	3,280	2,068	1,212	59
Total net claims	28,868	28,303	565	2
Claims ratio	58.9%	65.3%		
Expense ratio	35.2%	34.7%		
Combined ratio	94.1%	100.0%		
Underwriting income	2,890	(20)	2,910	14,550

Personal Lines

	3 months ended March 31			
($THOUSANDS)	**2017**	**2016**	**$Change**	**%Change**
Direct written premiums	37,320	30,811	6,509	21
Net earned premiums	36,994	33,360	3,634	11
Net claims:				
Current year claims	26,287	23,699	2,588	11
Current year loss ratio	71.2%	71.0%		
Favourable prior year claims development	3,179	1,767	1,412	80
Total net claims	23,108	21,932	1,176	5
Claims ratio	62.5%	65.7%		
Expense ratio	32.4%	32.1%		
Combined ratio	94.9%	97.8%		
Underwriting income	1,890	743	1,147	154

First quarter 2017

Personal Lines reported an underwriting income of $1.9 million compared to an underwriting income of $0.7 million in the same period last year.

This segment’s combined ratio improved to to 95% in the quarter as a result of the following factors:

1. Strong performance in auto and motorcycle in the quarter compared to the prior year quarter.

2. Positive development on prior year claims of $3.2 million in 2017 compared to $1.8 million in 2016.

3. These factors were partially offset by weaker results in Atlantic Canada due to severe winter weather experienced in the region.

Commercial Lines

	3 months ended March 31			
($THOUSANDS)	2017	2016	$Change	%Change
Direct written premiums	17,266	11,310	5,956	53
Net earned premiums	12,031	9,988	2,043	20
Net claims:				
Current year claims	5,861	6,672	(811)	(12)
Current year loss ratio	48.7%	66.8%		
Favourable prior year claims development	101	301	(200)	(66)
Total net claims	5,760	6,371	(611)	(10)
Claims ratio	47.9%	63.8%		
Expense ratio	43.8%	43.8%		
Combined ratio	91.7%	107.6%		
Underwriting income	1,000	(763)	1,763	231

First quarter 2017

Commercial Lines recorded an underwriting income in the first quarter of $1.0 million, an increase of $1.8 million. Direct written premiums increased by 53% in the quarter primarily due to the launch of commercial auto and surety in 2016.

This segment's combined ratio improved to 92% in the quarter due to:

1. Improved commercial auto results across Canada compared to the same period in the prior year.
2. Strong performance in Western commercial property and liability compared to the same period in the prior year.
3. These factors were partially offset by reduced redundancies on prior year claims of $0.1 million compared to redundancies on prior year claims of $0.3 million in the same period in 2016.

Discontinued Operations

On August 4, 2016, Echelon entered into a definitive stock purchase agreement to sell its European insurance subsidiary, subject to regulatory approval. On February 28, 2017, regulatory approval was received from the Danish Financial Supervisory Services Authority, which completed the necessary approvals required for the sale. The Company completed the sale on March 7, 2017 and has retained no residual insurance risk from the sale.

The Company received $5.1 million on closing and will receive an additional $17.5 million prior to December 31, 2017, which it has recognized as a loan receivable on its balance sheet.

SUMMARY OF QUARTERLY RESULTS

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

	2017	2016				2015		
($ THOUSANDS except per share amounts)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Direct written and assumed premiums	54,586	49,403	58,171	67.791	42,121	43,100	50,769	63,378
Net earned premiums and other revenue	49,025	46,013	46,452	45,247	43,348	43,905	46,882	43,140
Underwriting income (loss)	716	2,555	(429)	(485)	(2,055)	3,197	1,420	271
Income (loss) before interest expense and income taxes	9,203	3,575	1,622	3,402	406	11,554	(1,186)	3,745
Net income (loss)	7,466	2,602	1,402	2,214	901	8,807	(1,277)	3,855
Net operating income	2,316	4,857	1,580	2,892	1,025	4,705	3,558	2,569
Earnings (loss) per adjusted share								
(a) Basic	$0.63	$0.22	$0.10	$0.15	$0.08	$0.74	($0.11)	$0.31
(b) Diluted	$0.62	$0.22	$0.10	$0.15	$0.08	$0.72	($0.11)	$0.30
Net operating income per share - diluted	$0.19	$0.40	$0.01	$0.24	$0.09	$0.39	$0.30	$0.21
Selected financial ratios								
Loss ratio	58.9%	55.8%	61.5%	62.4%	65.3%	53.9%	60.3%	61.4%
Expense ratio	39.6%	38.6%	39.4%	38.7%	39.4%	38.8%	36.7%	38.0%
Combined ratio	98.5%	94.4%	100.9%	101.1%	104.7%	92.7%	97.0%	99.4%
Book value per share	$12.10	$11.70	$12.90	$13.08	$15.16	$15.75	$15.55	$16.00

The quarterly results reflect the seasonality of the Company's business. While net earned premiums are relatively stable from quarter to quarter, underwriting results may vary significantly by quarter as they are affected by changes in weather conditions.

Net Operating Income

	3 months ended March 31	
($ THOUSANDS except per share amounts)	**2017**	**2016**
Net investment income [1]	2,288	3,367
Underwriting income (loss)	716	(2,055)
Add: CAT losses	56	—
Pre-tax operating income	3,060	1,312
Income tax	(733)	(329)
Net operating income	2,327	983
Minority interest	(11)	42
Net operating income attributable to shareholders	2,316	1,025
Net operating income per share - diluted	$0.19	$0.09

[1] Net investment income consists of interest income, dividend income and premium financing charges, less interest expense, as per Note 6 of the Company's Financial Statements.

BALANCE SHEET ANALYSIS

The Balance Sheet analysis that follows should be read in conjunction with the consolidated financial statements for the first quarter of 2017, 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 March 31, 2017	As at December 31, 2016
Cash and short-term deposits	51,351	50,588
Investments	337,867	336,535
Total assets	543,107	800,219
Provision for unpaid claims	253,510	255,129
Unearned premiums	121,368	120,184
Total equity attributable to shareholders	142,983	137,414
Book value per share [1]	$12.10	$11.70
MCT Ratio - Echelon Insurance	258%	237%
- ICPEI	354%	340%

[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. 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 March 31, 2017, and December 31, 2016.

($ Thousands)	Fair values			
Available-for-sale	As at March 31, 2017	% of Total	As at December 31, 2016	% of Total
Fixed income				
Canadian				
Federal	63,932		67,826	
Provincial	43,827		44,147	
Municipal	515		519	
Corporate	129,030		136,984	
	237,304		249,476	
Fixed income lent through securities lending program				
Federal	21,580		15,390	
Provincial	411		998	
Municipal	848		845	
Corporate	7,673		1,885	
	30,512		19,118	
Total fixed income	267,816	69%	268,594	69%
Commercial mortgages pooled funds	17,489		17,423	
Money market pooled funds	320		200	
Short-term fixed income and mortgage pooled funds	17,361		17,229	
Total pooled funds	35,170	9%	34,852	9%
Common shares				
Canadian	321		312	
Total common shares	321	—%	312	—%
Total available-for-sale	303,307		303,758	
Fair value through profit or loss				
Preferred shares	34,560		32,678	
Preferred shares lent through securities lending program	—		99	
Total preferred shares	34,560	9%	32,777	8%
Total investments	337,867	87%	336,535	86%
Cash and short-term deposits	51,351	13%	50,588	14%
Total investments including cash and short-term deposits	389,218	100%	387,123	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.

There was no impairment loss recognized during the three months ended March 31, 2017 and 2016.

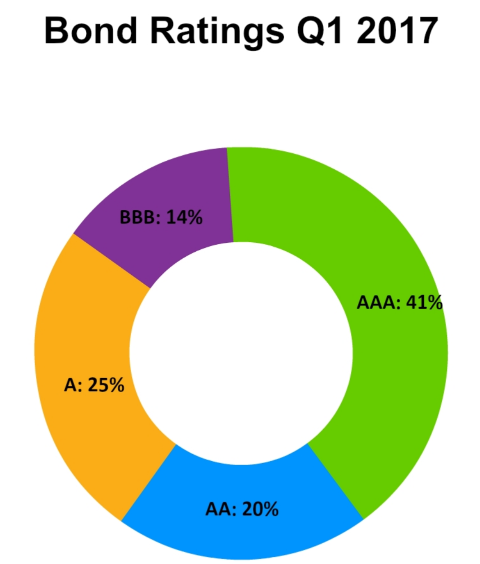
A gross unrealized loss of $0.9 million (March 31, 2016 – $2.5 million) on investments held as at March 31, 2017, is recorded, net of tax, in the amount of $0.7 million (March 31, 2016 – $1.8 million) in Accumulated Other Comprehensive Income. The Company has concluded, based on its review, that these fair value deficiencies do not meet the criteria for impairment and they will be monitored on an ongoing basis.

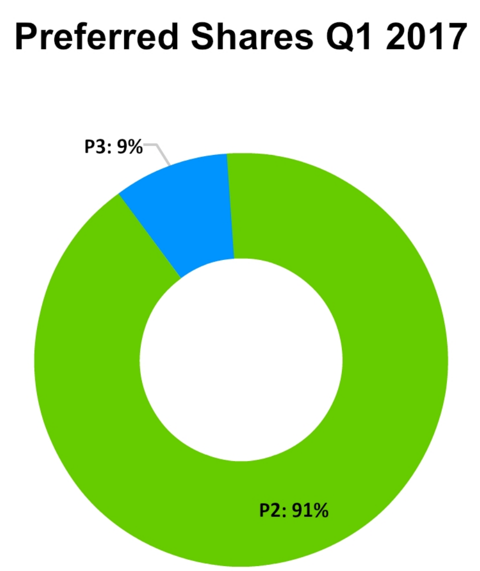
Fixed Income Securities

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 AA. The preferred shares have an average rating of P2. The duration of the bond portfolio is 2.9 years.

The chart below shows EFH's fixed income portfolio by credit quality as at March 31, 2017.





Sector Mix by Asset Class

The following table shows sector exposure by asset class as at March 31, 2017:

Sector	Fixed Income Securities & Pooled Funds	Preferred Shares	Common Shares	Total
Government	47%	—%	—%	42%
Financial Services	28%	61%	69%	32%
Infrastructure	9%	1%	—%	8%
Telecomunication	2%	—%	—%	2%
Energy	3%	—%	20%	2%
Industrial Products	4%	9%	—%	4%
Pipelines	1%	12%	—%	2%
Utilities	—%	17%	11%	2%
Other	6%	—%	—%	6%
Total	100%	100%	100%	100%
Total	$302,133	$34,560	$321	$337,014

(1) Fixed income securities & pooled funds do not include any cash being carried by the pooled funds, $0.9 million as at March 31, 2017.

Common Share Portfolio

As at March 31, 2017, 100% of the common share portfolio was invested in Canadian equities.

Recoverable from Reinsurers

($ THOUSANDS)	As at March 31, 2017	As at December 31, 2016
Reinsurers' share of unpaid claims	27,288	27,023
Reinsurers' share of unearned premiums	9,108	8,975
Total	36,396	35,998

As at March 31, 2017, the recoverable from reinsurers increased by $0.4 million, or 1%, to $36.4 million from $36.0 million as at December 31, 2016. The increase was due to a change in a mix of business with varied reinsurance rates. 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 the Company holds deposits as collateral.

Accounts Receivable

($ THOUSANDS)	As at March 31, 2017	As at December 31, 2016
Premium financing receivables	30,032	26,335
Agents and brokers	13,825	15,668
Other	5,093	4,702
Total	48,950	46,705

Premium financing receivables represents 61% of total receivables as at March 31, 2017. Premium financing receivables increased to $30.0 million at March 31, 2017, from $26.3 million at December 31, 2016 due to the increase in premiums. Agent and broker receivables decreased from $15.7 million in 2016 to $13.8 million in 2017 due to seasonality of business.

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 rates used for March 31, 2017 and 2016 for the following entities are below:

Entity	As at March 31, 2017	As at December 31, 2016
Echelon Insurance	1.90%	1.90%
ICPEI	1.75%	1.75%

Share Capital

As of May 3, 2017, there were 11,828,476 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 $1.8 million is due in less than a year and $10.4 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 its 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 March 31, 2017, was $146.8 million compared to $141.4 million at December 31, 2016.

The Minimum Capital Test (MCT) ratio of the Company's Canadian subsidiary, Echelon Insurance, as at March 31, 2017, was 258%, which comfortably exceeds the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI). ICPEI's MCT ratio of 354% was in excess of provincial supervisory targets. In addition to any excess capital at Echelon Insurance, the Company has approximately $10.0 million of excess deployable capital invested in liquid assets in the holding company.

Normal Course Issuer Bid (NCIB)

In the first quarter of 2017, there was no NCIB program as this program expired on October 7, 2016. However, in the comparative period of 2016 there were 46,900 common shares repurchased and cancelled at an average cost of $13.23 per share for a total consideration of $0.6 million. In 2016, the Company purchased and canceled 51,000 common shares under the NCIB program at an average cost of $13.24 per share for a total consideration of $0.7 million.

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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, 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 March 31, 2017, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 March 31, 2017. A description of EFH's critical accounting estimates and assumptions is also detailed in note 4 of the interim financial statements.

GLOSSARY OF SELECTED INSURANCE TERMS

"Catastrophe event" or **"CAT event"** refers to any group of claims considered to be non-recurring and therefore not reflective of operating performance.

“Cede” means the act of an insurer transferring or assigning part or all of the risk on an insurance policy written by it to a reinsurer by purchasing insurance from such reinsurer to cover the risk or part thereof.

“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 adjustment expenses” or **“LAE”** means the expense of settling claims, including certain legal and other fees and the expense of administering the claims adjustment process.

“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.

“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 Operating Income” means net income plus or minus the after tax impact of change in discount rate on unpaid claims, realized losses or gains on sale of investments, discontinued operations, unrealized fair value changes on FVTPL investments and one time non recurring charges.

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

“Producers” refers to, collectively, insurance brokers, agents and managing general agencies**.**

“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.