



# Investor Presentation

June 2017

**echelon**  
Insurance

# About us

Echelon is a Canadian Property & Casualty insurer, offering Personal and Commercial products exclusively through insurance brokers.



## Head Office

Mississauga, ON

## Regional Offices

Burnaby, BC

Penticton, BC

Laval, QC

Montreal, QC

Charlottetown, PE

Stock ticker  
EFH

Market capitalization  
\$147M

Book value  
\$143M

\*As of March 31, 2017

# European divestiture

Until 2016, Echelon operated in Europe through a subsidiary company, Qudos Insurance.

- The sale of our European subsidiary was finalized on March 7<sup>th</sup>, 2017
- Clean break - no residual insurance risk
- Gross proceeds ~\$22M, net proceeds \$18-\$19M
  - \$5M upfront with \$17M due prior to December 31<sup>st</sup>, 2017
  - \$17M in form of a vendor loan note
- The completion of this sale allows management and capital to be focused on growing our Canadian business profitably

With the sale of Qudos complete, Echelon's focus is solely on our core Canadian business.

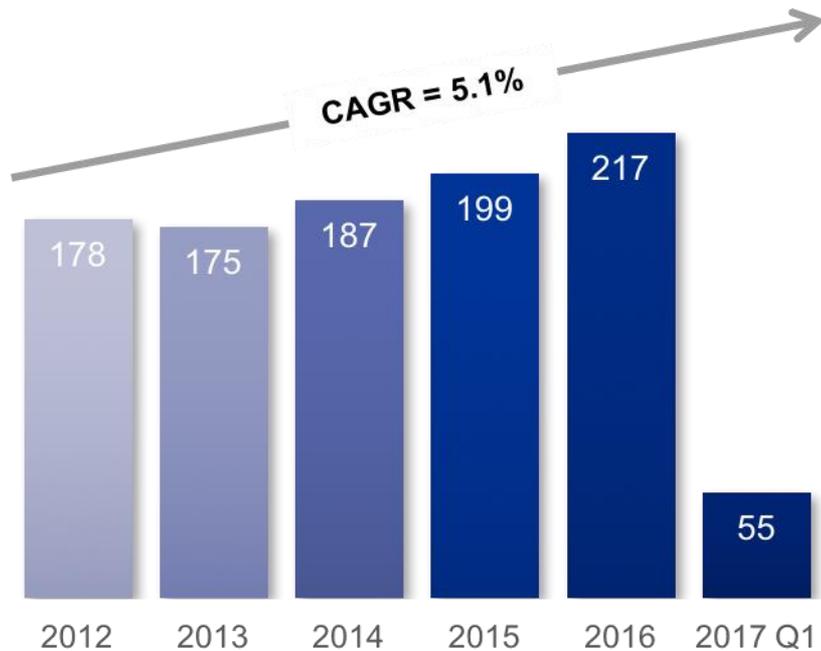
# Q1 2017 Highlights

	Q1 2017	Q1 2016	Change
Book Value Per Share*	\$12.10	\$11.70	↑ 3.4%
Direct Written Premium	\$54.6M	\$42.1M	↑ 29.7%
Personal Lines Combined Ratio	94.9%	97.8%	↓ (2.9%)
Commercial Lines Combined Ratio	91.7%	107.6%	↓ (15.9%)
Total Company Combined Ratio*	94.1%	100.0%	↓ (5.9%)
Total Return on Invested Assets	1.45%	-0.14%	↑ 1.6%
Net Operating Income	\$2.3M	\$1.0M	↑ 130.0%

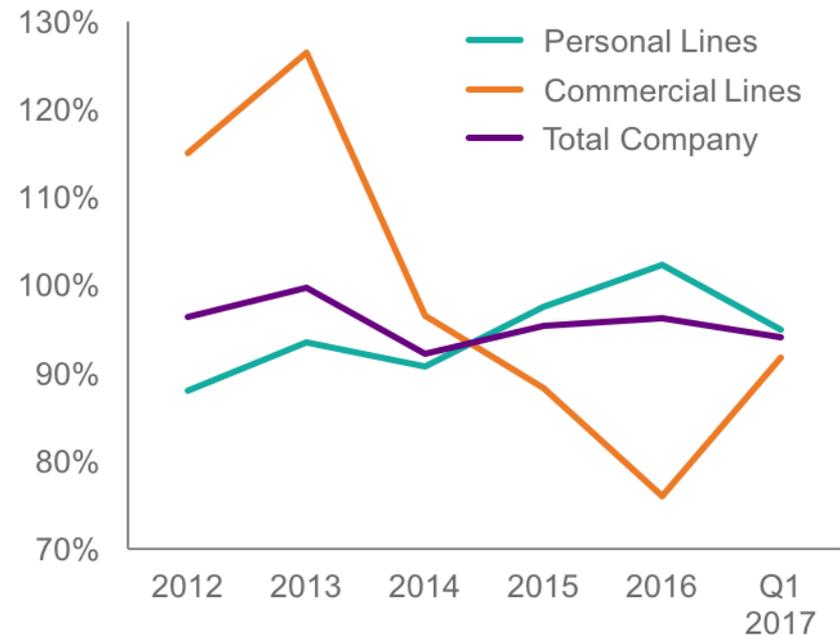
\*Book Value Per Share Comparison is to Q4, 2016

# Strong growth and consistent profitability

Gross Written Premiums | \$ millions



Combined Ratio



Personal Lines performance has been consistently profitable, while Commercial Lines has improved following actions taken in 2013

# What we offer

Echelon underwrites a range of Personal and Commercial insurance products under the Echelon Insurance and ICPEI brands.



## Personal Automobile

- Specialty automobile insurance
- Standard coverage for various vehicles

## Personal Property

- Homeowners, condominium and tenant coverage in select regions

## Commercial Property and Liability

- Market-leading mid-market property and liability coverages

## Commercial Automobile

- Commercial vehicle coverage

## Specialty Programs

- MGA-sold warranty programs

## Long Haul Trucking

- Coverage for owner operators and fleets

## Surety Bonds

- Various bonds for the construction industry

New in 2016

# How we set ourselves apart

With our responsive service, deep underwriting expertise, and a longstanding commitment to the broker channel, Echelon is a convenient market alternative.



## Canadian Company

Echelon and ICPEI operate out of six offices across Canada, where our local teams draw on their deep understanding of their regional market to serve our brokers and customers.



**Proud Supporter of Brokers  
Displaying this Symbol**

## Broker Exclusive

Our products are only sold by licensed insurance brokers. As one of the few remaining insurance carriers dedicated solely to the broker channel, Echelon benefits from strong broker support and partnerships.



## Underwriting Expertise

Our local, in-house underwriters are seasoned experts. Collaborating with our brokers, Echelon's underwriters work to understand the unique risks faced by our customers and offer insurance solutions to meet their needs.

# Setting the stage for profitable growth

2016 was a year of transformation for Echelon, as we embraced a new strategy to **increase market share, regain profitability** and **refocus on our core Canadian business**. Our efforts in 2016 focused on divesting our European operations, and on setting the company up for success in these key areas:

## Building our team and expertise

- We have brought expertise in-house to support growth
- Our new leaders have the skills and experience to write complex risks, and relationships with key brokers that will accelerate growth

## Expanding our product offering

- Echelon expanded into new product lines where brokers were underserved and unsatisfied
- We are already receiving strong support from brokers in Surety, and have seen an overwhelming response in Long Haul Trucking

## Enhancing our technology

- 🕒 • We adapted and enhanced GIS to support our new business lines and improve ease of doing business for our brokers

## Strengthening broker relations

- We expressed our commitment to brokers as other markets went direct
- Brokers are reciprocating with support, and we are gaining traction with our **“convenience store”** model, rooted in flexibility and ease of doing business

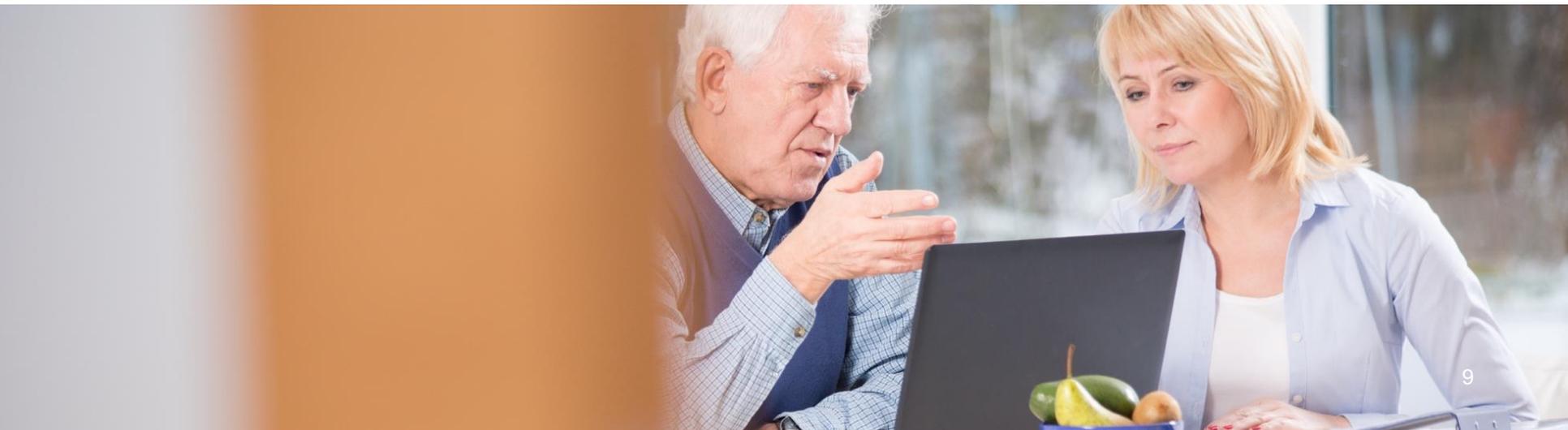
# Setting the stage for profitable growth

## Building our team and expertise

- To support our new lines of business and strengthen our existing operations, we have brought together a team of industry experts.
- With decades of experience, long-standing broker relationships, and nuanced technical expertise, our new team is well-positioned to drive Echelon's profitable growth. To learn about our seasoned leaders, visit [echeloninsurance.ca/leadership](https://echeloninsurance.ca/leadership).

## Strengthening broker relations

- As one of the few remaining insurers dedicated solely to the broker channel, strong broker relationships are essential to Echelon's success.
- In 2016, we strengthened our relationships with our existing brokers and formed new partnerships to support our newest business lines. We also worked to better understand the needs of our brokers and their clients, so to better respond to gaps in the marketplace.



# Setting the stage for growth

## Enhancing our technology

- Echelon is committed to adopting more agile technology to better support our brokers. We recently launched a new policy management system across Canada to support enhanced connectivity and a more seamless workflow.
  - British Columbia: Launched in Winter 2017
  - Alberta: Launched in Summer 2017
  - Ontario: Launched in Fall 2016
  - Quebec: Launched in Summer 2016
- By streamlining our policy administration process with full upload and download capabilities, brokers are receiving more timely responses to submissions, with which they can better serve their customers.

## Expanding our product offering

- In 2016, Echelon introduced Surety and Long Haul Trucking divisions to meet a growing demand for these products.
  - Our Surety division was formed in March, 2016, and now operates out of three offices in Burnaby, BC, Mississauga, ON, and Montreal, QC.
  - Our Long Haul Trucking division was formed in early 2016, initially in Quebec, and will be offered in Ontario and Alberta in Spring 2017. This coverage is offered exclusively through specialty brokers who have a deep understanding of this business.
- In 2017, we will expand these new products across the country.
- We will also continue to grow our Commercial Lines Portfolio.

# Ready to deliver in 2017

With a solid foundation in place – including an ***experienced leadership team***, ***an enhanced system*** and ***in-demand products***, Echelon is positioned for profitable growth in 2017. After launching our new system, we'll work to extend the reach of our products and deepen our broker partnerships.

## Expanding geographically

- Growing our Commercial Lines business in Ontario and Western Canada
- Introducing our LHT product in Ontario and Alberta, initially through specialty trucking brokers

## Writing larger, complex risks

- Participating on more significant accounts through reasonable shares to increase our risks base and capitalize on market conditions

## Offering complete account solutions

- We will leverage synergies between our commercial property, trucking and surety lines to write complete accounts whenever possible

## More strategic partnerships

- Refocusing business development efforts on our committed, supportive brokers
- Minimum volume commitments have been set for new and existing brokers
- With new in-house expertise, we will begin to rely less on MGA relationships

# Solid balance sheet

Echelon's balance sheet is solid, with *no debt, consistently redundant reserves (3-5% from 2002-2016)* and *no level 3 assets*.

**258%**

Echelon MCT

**354%**

ICPEI MCT

**B++**

A.M. Best Rating  
(Stable)

**\$10M**

Excess capital



# Investment philosophy

## Echelon Investment Portfolio

\* AS AT DEC. 31, 2016

**\$251M\***

### Policyholders' Pool

- Assets backing liabilities
- Duration matched
- More conservative
  - IG Bonds – Average A
  - P1/P2 Preferred Shares
  - Direct Mortgages

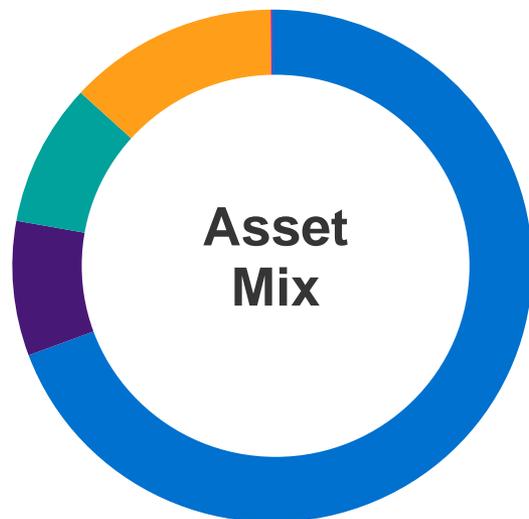
**\$107M\***

### Shareholders Pool

- Assets backing surplus
- Not duration matched
- Less conservative
  - Lower-rated IG Bonds
  - Non-IG Bonds
  - P3 Preferred Shares
  - Equities

*\*excludes holding company assets*

# Conservative and diversified portfolio



- 69%** Fixed income
- 9%** Preferred shares
- 9%** Commercial mortgages
- 13%** Cash & Short-term deposits



- 40%** AAA
- 20%** AA
- 25%** A
- 15%** BBB

Average rating

AA

Average duration

3

# Target return on capital



Unlevered target return on capital  
12%

# Conclusion

Moving into 2017, Echelon has the right **people**, **products**, **technology** and **partnerships** in place to deliver profitable growth for our shareholders.

This solid foundation that we have built will pave the way for our future success as a broker-centric, solutions-focused Canadian insurer, where we'll be known as a friendly, flexible alternative to larger markets.

