ECHELON FINANCIAL HOLDINGS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2017

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2017

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, 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 second 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 six months ended June 30, 2017 and 2016.

The following commentary is current as of August 9, 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 operating 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 and non-recurring items.

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.

SECOND QUARTER HIGHLIGHTS

- Net operating income on continued operations of $0.28 per share compared to income of $0.24 per share in the second quarter of 2016, an increase of 17%.
- A combined operating ratio of 94% compared to 98% in the second quarter of 2016, driven by strong results in Personal Auto and Commercial Property and Liability.
- A 25% increase in direct written premiums over the same period in 2016 to $85.0 million as a result of growth in existing products in Personal Lines in Ontario and Quebec in addition to new Commercial Lines products, launched in 2016.
- Total pre-tax gain on invested assets of $0.1 million in the quarter, negatively impacted by higher short term bond yields, compared to a pre-tax gain of $5.1 million in the second quarter of 2016.
- Closing book value per share of $12.25, an increase of 1.2% over the first quarter of 2017.

The following financial information compares three and six months results ended June 30, 2017, with the same periods in 2016 on a continued-operations basis.

($ THOUSANDS except per share amounts)	3 months ended June 30 2017	3 months ended June 30 2016	6 months ended June 30 2017	6 months ended June 30 2016
Direct written and assumed premiums	85,035	67,791	139,621	109,912
Net written premiums	78,985	63,544	129,061	102,253
Net earned premiums	53,448	45,247	102,473	88,595
Net claims incurred	31,808	28,242	60,676	56,545
Net acquisition costs	11,934	10,266	23,985	20,050
Operating expenses	8,229	7,241	15,619	14,541
Underwriting income (loss)	1,477	(502)	2,193	(2,541)
Severance expense(2)	(89)	(1,028)	(89)	(2,512)
Investment income	2,977	4,916	11,464	8,861
Net income before interest and income taxes on continued operations	4,365	3,386	13,568	3,808
Interest expense	84	53	155	97
Income taxes expense	1,088	1,135	2,754	596
Net income on continued operations	3,193	2,198	10,659	3,115
Net income attributable to shareholders on continued operations	3,142	1,813	10,597	2,773
Net operating income attributable to shareholders on continued operations	3,338	2,873	5,654	3,916
Earnings per share on continued operations				
Basic	$0.27	$0.15	$0.90	$0.24
Diluted	$0.26	$0.15	$0.88	$0.23
Net operating income per share on continued operations – diluted (1)	$0.28	$0.24	$0.47	$0.33
Trailing twelve month return on equity (ROE) - continued operations	9.7%	5.9%	9.7%	5.9%

(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) Severance expense not considered part of operating expenses.

Insurance Operations

Direct Written, Net Written and Net Earned Premiums

In the second quarter of 2017, direct written premiums increased by 25% compared to the same period last year to $85.0 million, while net written premiums increased by 24% to $79.0 million. Net earned premiums increased by 18% compared to the same period last year. The increase in premium was driven by growth in both Quebec and Ontario Personal Lines in addition to Commercial Lines products, launched in 2016.

Claims Incurred

For the quarter ended June 30, 2017, net claims expense increased by 13%, lower than the increase in premiums, due to strong results in Auto, Commercial Property and Liability across Canada.

Net favourable development of prior year claims of $7.8 million was recorded in the second quarter of 2017 compared to net favourable development of $7.3 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 16%, in the quarter ended June 30, 2017, due to an increase in premiums and change of mix of business.

Operating Expenses

Operating expenses increased $1.0 million or 14% to $8.2 million in the second quarter of 2017 compared to $7.2 million in the comparative quarter, driven by increased resources to support growth and information technology costs.

Underwriting Income

An underwriting income of $1.5 million after corporate expenses was recorded in the second quarter of 2017 compared to underwriting loss of $0.5 million in the same period in 2016. Excluding corporate expenses, underwriting income of $3.5 million was recorded compared to $1.0 million in the prior year quarter.The increase in underwriting income was due to strong performance in both Personal and Commercial line segments, in addition to increased redundancy in prior year claims.

Investment Income

Investment income was $3.0 million compared to $4.9 million in the second quarter in 2016, primarily due to lower return in preferred shares in the quarter.

Net Income before Interest and Income Taxes

For the quarter ended June 30, 2017, net income before interest and taxes was $4.4 million compared to an income of $3.4 million in the second quarter of 2016 primarily due to increased underwriting income in the quarter, offset by lower investment income.

Income Taxes

For the quarter ended June 30, 2017, the provision for income taxes reflects an expense of $1.1 million, relatively unchanged from the prior year.

SEGMENTED FINANCIAL INFORMATION (Continued Operations)

The segmented results below exclude corporate expenses.

TOTAL OPERATIONS

	3 months ended June 30				6 months ended June 30			
($THOUSANDS)	**2017**	**2016**	**$ Change**	**% Change**	**2017**	**2016**	**$ Change**	**% Change**
Direct written premiums	85,035	67,791	17,244	25	139,621	109,912	29,709	27
Net earned premiums	53,448	45,247	8,201	18	102,473	88,595	13,878	16
Net claims:								
Current year claims	39,653	35,516	4,137	12	71,802	65,887	5,915	9
Current year loss ratio	74.2%	78.5%			70.1%	74.4%		
Favourable prior year claims development	7,845	7,274	571	8	11,126	9,342	1,784	19
Total net claims	31,808	28,242	3,566	13	60,676	56,545	4,131	7
Loss ratio	59.5%	62.4%			59.2%	63.8%		
Expense ratio	34.0%	35.3%			34.6%	35.1%		
Combined ratio	93.5%	97.7%			93.8%	98.9%		
Underwriting income	3,469	1,017	2,452	241	6,359	1,014	5,345	527

PERSONAL LINES

	3 months ended June 30				6 months ended June 30			
($THOUSANDS)	**2017**	**2016**	**$ Change**	**% Change**	**2017**	**2016**	**$ Change**	**% Change**
Direct written premiums	59,099	51,205	7,894	15	96,419	82,016	14,403	18
Net earned premiums	39,317	34,614	4,703	14	76,311	67,974	8,337	12
Net claims:								
Current year claims	32,056	29,567	2,489	8	58,344	53,266	5,078	10
Current year loss ratio	81.5%	85.4%			76.5%	78.4%		
Favourable prior year claims development	6,180	5,809	371	6	9,360	7,576	1,784	24
Total net claims	25,876	23,758	2,118	9	48,984	45,690	3,294	7
Loss ratio	65.8%	68.6%			64.2%	67.2%		
Expense ratio	30.8%	33.0%			31.6%	32.5%		
Combined ratio	96.6%	101.6%			95.8%	99.7%		
Underwriting income (loss)	1,350	(569)	1,919	337	3,240	174	3,066	1,762

Second quarter 2017

Personal Lines reported an underwriting income of $1.4 million compared to an underwriting loss of $0.6 million in the same period last year.

This segment's combined ratio improved to 97% in the quarter as a result of the following factors:

1. Strong performance in Ontario and Western Canada Personal Lines in the quarter.
2. Prior year Personal Lines performance was adversely impacted by the Fort McMurray wildfires.

3. These factors were partially offset by weaker results in Atlantic Canada due to large auto and fire losses compared to the prior year.

Year-to-date 2017

Personal Lines reported an underwriting income of $3.2 million compared to an underwriting income of $0.2 million in the same period last year.

This segment’s combined ratio improved to to 96% for the year as a result of the following factors:

1. Strong performance in Personal Lines in Ontario and Western Canada.
2. Prior year results were impacted by a $1 million net impact from the Fort McMurray wildfires.
3. These factors were partially offset by weaker results in Atlantic Canada due to severe winter weather experienced in the region in the first quarter in addition to property fire losses in the second quarter.

COMMERCIAL LINES

	3 months ended June 30				6 months ended June 30			
($THOUSANDS)	**2017**	**2016**	**$ Change**	**% Change**	**2017**	**2016**	**$ Change**	**% Change**
Direct written premiums	25,936	16,586	9,350	56	43,202	27,896	15,306	55
Net earned premiums	14,131	10,633	3,498	33	26,162	20,621	5,541	27
Net claims:								
Current year claims	7,597	5,949	1,648	28	13,458	12,621	837	7
Current year loss ratio	53.8%	55.9%			51.4%	61.2%		
Favourable prior year claims development	1,665	1,465	200	14	1,766	1,766	—	—
Total net claims	5,932	4,484	1,448	32	11,692	10,855	837	8
Loss ratio	42.0%	42.2%			44.7%	52.6%		
Expense ratio	43.0%	42.9%			43.4%	43.3%		
Combined ratio	85.0%	85.1%			88.1%	95.9%		
Underwriting income	2,119	1,586	533	34	3,119	840	2,279	271

Second quarter 2017

Commercial Lines recorded an underwriting income in the second quarter of $2.1 million, an increase of $0.5 million. Direct written premiums increased by 56% in the quarter primarily due to the launch of Commercial Auto and Surety products in 2016.

This segment's combined ratio remained stable at 85% in the quarter due to:

1. Strong Commercial Property and Liability results across Canada.
2. Offset by weaker results in Commercial Auto and Surety/Warranty, compared to the prior year quarter.
3. Prior year results were impacted by a $1 million net impact from the Fort McMurray wildfires.

Year-to-date 2017

Commercial Lines recorded an underwriting income of $3.1 million, an increase of $2.3 million. Direct written premiums increased by 55% for the year primarily due to the launch of Commercial Auto and Surety in 2016.

This segment's combined ratio improved to 88% for the year due to:

1. Improved performance in Commercial Property and Liability compared to the same period in the prior year.
2. Prior year-to-date results included a $1 million net impact from the Fort McMurray wildfires.
3. Offset partially by weaker performance in Commercial Auto.

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 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 or other financial risk other than credit risk associated with the loan receivable from the sale. The Company received $5.1 million on closing and will receive an additional $17.7 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 (after all corporate expenses) is as follows:

	2017		2016				2015	
($ THOUSANDS except per share amounts)	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Direct written and assumed premiums	85,035	54,586	49,403	58,171	67,791	42,121	43,100	50,769
Net earned premiums and other revenue	53,448	49,025	46,013	46,452	45,247	43,348	43,905	46,882
Underwriting income (loss)	1,477	716	2,555	(429)	(485)	(2,055)	3,197	1,420
Income (loss) before interest expense and income taxes	4,365	9,203	3,575	1,622	3,402	406	11,554	(1,186)
Net income (loss)	3,193	7,466	2,602	1,402	2,214	901	8,807	(1,277)
Net operating income	3,338	2,316	4,857	1,580	2,892	1,025	4,705	3,558
Earnings (loss) per adjusted share								
(a) Basic	$0.27	$0.63	$0.22	$0.10	$0.15	$0.08	$0.74	($0.11)
(b) Diluted	$0.26	$0.62	$0.22	$0.10	$0.15	$0.08	$0.72	($0.11)
Net operating income per share - diluted	$0.28	$0.19	$0.40	$0.01	$0.24	$0.09	$0.39	$0.30
Selected financial ratios								
Loss ratio	59.5%	58.9%	55.8%	61.5%	62.4%	65.3%	53.9%	60.3%
Expense ratio	37.7%	39.6%	38.6%	39.4%	38.7%	39.4%	38.8%	36.7%
Combined ratio	97.2%	98.5%	94.4%	100.9%	101.1%	104.7%	92.7%	97.0%
Book value per share	$12.25	$12.10	$11.70	$12.90	$13.08	$15.16	$15.75	$15.55

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 seasonality, as described in Note 5 of the Financial Statements.

Net Operating Income

	3 months ended June 30		6 months ended June 30	
($ THOUSANDS except per share amounts)	2017	2016	2017	2016
Net investment income [1]	2,456	3,042	4,744	6,409
Underwriting income (loss)	1,477	(502)	2,193	(2,541)
Add: Catastrophe losses	548	2,000	604	2,000
Pre-tax operating income	4,481	4,540	7,541	5,868
Income tax	(1,092)	(1,282)	(1,825)	(1,610)
Net operating income	3,389	3,258	5,716	4,258
Minority interest	(51)	(385)	(62)	(342)
Net operating income attributable to shareholders	3,338	2,873	5,654	3,916
Net operating income per share - diluted	$0.28	$0.24	$0.47	$0.33

(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 second 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 June 30, 2017	As at December 31, 2016
Cash and short-term deposits	53,987	50,588
Investments	342,154	336,535
Total assets	578,999	800,219
Provision for unpaid claims	254,287	255,129
Unearned premiums	148,672	120,184
Total equity attributable to shareholders	145,057	137,414
Book value per share [1]	$12.25	$11.70
MCT Ratio - Echelon Insurance	242%	237%
- ICPEI	340%	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 June 30, 2017, and December 31, 2016.

($ Thousands)	Fair values			
Available-for-sale	**As at June 30, 2017**	**% of Total**	**As at December 31, 2016**	**% of Total**
Fixed income				
Canadian				
Federal	52,979		67,826	
Provincial	34,316		44,147	
Municipal	509		519	
Corporate	130,753		136,984	
	218,557		249,476	
Fixed income lent through securities lending program				
Federal	44,667		15,390	
Provincial	9,620		998	
Municipal	844		845	
Corporate	5,614		1,885	
	60,745		19,118	
Total fixed income	279,302	70%	268,594	69%
Commercial mortgages pooled funds	—		17,423	
Money market pooled funds	842		200	
Short-term fixed income and mortgage pooled funds	19,302		17,229	
Total pooled funds	20,144	5%	34,852	9%
Common shares				
Canadian	318		312	
Total common shares	318	—%	312	—%
Total available-for-sale	299,764		303,758	
Fair value through profit or loss				
Preferred shares	42,385		32,678	
Preferred shares lent through securities lending program	5		99	
Total preferred shares	42,390	11%	32,777	8%
Total investments	342,154	86%	336,535	86%
Cash and short-term deposits	53,987	14%	50,588	14%
Total investments including cash and short-term deposits	396,141	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 six months ended June 30, 2017 and 2016.

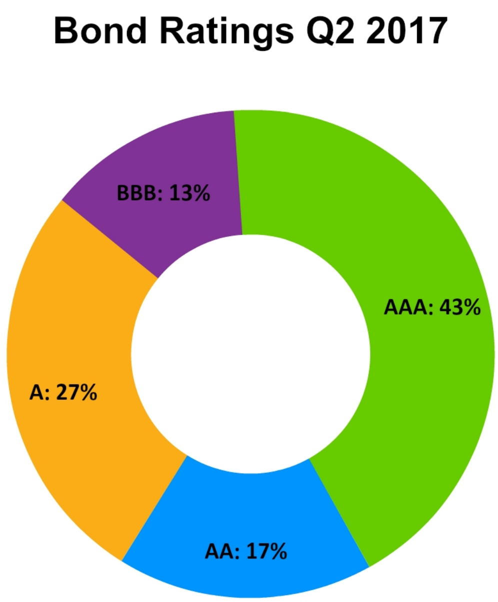
A gross unrealized loss of $1.8 million (December 31, 2016 – $1.7 million) on investments held as at June 30, 2017, is recorded, net of tax, in the amount of $1.3 million (December 31, 2016 – $1.2 million) in Accumulated Other Comprehensive Income. The Company has concluded, based on its review, that these fair value deficiencies do not meet the criteria for impairment and they will be monitored on an ongoing basis.

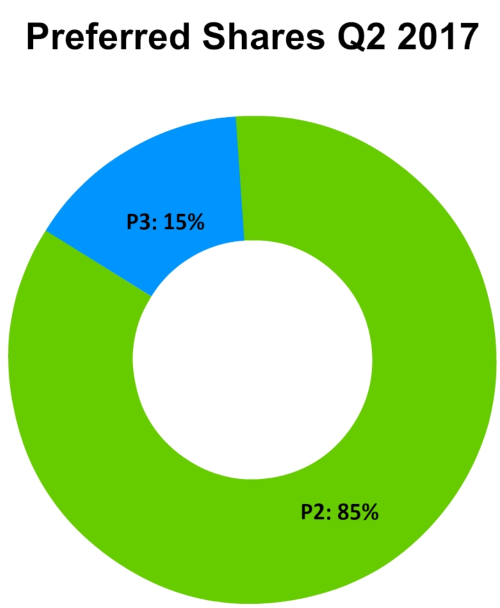
Fixed Income Securities

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 2.8 years.

The chart below shows EFH's fixed income portfolio by credit quality as at June 30, 2017.





Sector Mix by Asset Class

The following table shows sector exposure by asset class as at June 30, 2017:

Sector	Fixed Income Securities & Pooled Funds	Preferred Shares	Common Shares	Total
Financial Services	28%	50%	69%	31%
Government	50%	—%	—%	44%
Infrastructure	10%	—%	—%	9%
Telecommunication	2%	—%	—%	2%
Energy	3%	—%	11%	2%
Industrial Products	4%	13%	—%	5%
Pipelines	2%	18%	—%	4%
Utilities	—%	19%	20%	2%
Other	1%	—%	—%	1%
Total	100%	100%	100%	100%
Total	$298,665	$42,390	$318	$341,373

(1) Fixed income securities and pooled funds do not include any cash being carried by the pooled funds, $0.8 million as at June 30, 2017.

Common Share Portfolio

As at June 30, 2017, 100% of the common share portfolio was invested in Canadian equities.

Recoverable from Reinsurers

($ THOUSANDS)	As at June 30, 2017	As at December 31, 2016
Reinsurers' share of unpaid claims	28,108	27,023
Reinsurers' share of unearned premiums	10,875	8,975
Total	38,983	35,998

As at June 30, 2017, the recoverable from reinsurers increased by $3.0 million, or 8%, to $39.0 million from $36.0 million as at December 31, 2016. The increase in unearned premium was due to seasonality and growth. 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 June 30, 2017	As at December 31, 2016
Premium financing receivables	51,969	32,216
Agents and brokers	13,813	9,787
Other	4,017	4,702
Total	69,799	46,705

Premium financing receivables represents 74% of total receivables as at June 30, 2017. Premium financing receivables increased to $52.0 million at June 30, 2017, from $32.2 million at December 31, 2016 due to the growth in premiums and seasonality. Agent and broker receivables increased from $9.8 million in 2016 to $13.8 million in 2017 due to seasonality.

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 June 30, 2017, and 2016 for the following entities are below:

Entity	As at June 30, 2017	As at December 31, 2016
Echelon Insurance	1.90%	1.90%
ICPEI	1.85%	1.75%

Share Capital

As of August 9, 2017, there were 11,869,963 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 $9.9 million is due over the next eight 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 June 30, 2017, was $148.8 million compared to $141.4 million at December 31, 2016.

The Minimum Capital Test (MCT) ratio of the Company's subsidiary, Echelon Insurance, as at June 30, 2017, was 242%, which comfortably exceeds the supervisory regulatory capital level required by the Office of the Superintendent of Financial Institutions (OSFI). ICPEI's MCT ratio of 340% was in excess of provincial supervisory targets. In addition to any excess capital at Echelon Insurance, the Company has approximately $16.5 million of excess deployable capital invested in liquid assets in the holding company.

Normal Course Issuer Bid (NCIB)

No shares were repurchased in the second quarter of 2017. However, in the comparative period of 2016 there were 51,000 common shares repurchased and cancelled 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 June 30, 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 June 30, 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 June 30, 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.

A new policy management system is being rolled out across the country and management is satisfied that sufficient internal controls over financial reporting are in place.

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 June 30, 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.