



# Investor Presentation

March 2018

**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

Kelowna, BC

Laval, QC

Montreal, QC

Charlottetown, PE

Stock ticker  
**EFH**

Market capitalization  
**\$153M**

Book value  
**\$143M**

\*As of December 31, 2017

# European divestiture

Between 2012 and 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
  - \$16.5M received in Year 2017
  - \$ 6.7M due Q2, 2018
  - Balance Due amount is 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.

# 2017 Fourth Quarter Highlights

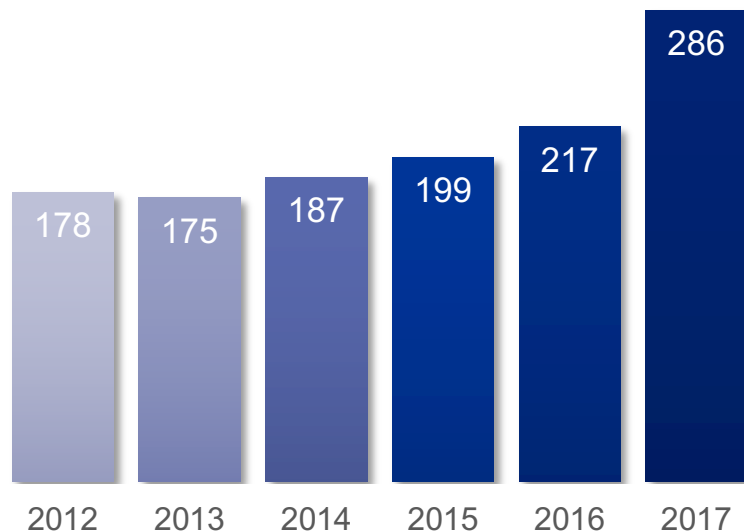
	Q4 2017	Q4 2016	Change
Book Value Per Share	\$12.01	\$11.70	↑ 3.0%
Direct Written Premium	\$68.0M	\$49.4M	↑ 38.0%
Personal Lines Combined Ratio	126.8%	110.1%	↓ 16.7%
Commercial Lines Combined Ratio	87.3%	26.9%	↓ 60.4%
Total Company Combined Ratio	115.2%	90.3%	↓ 24.9%
Total Return on Invested Assets	1.0%	-0.2%	↑ 1.2%
Net Operating Income	(6.3M)	\$4.9M	↓ 229.0%

# 2017 Year Highlights

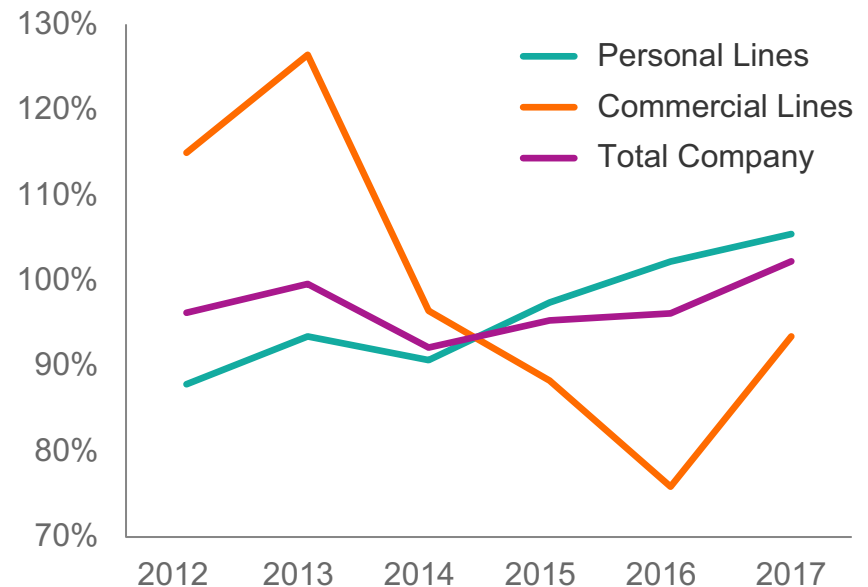
	2017	2016	Change
Book Value Per Share	\$12.01	\$11.70	↑ 3.0%
Direct Written Premium	\$285.7M	\$217.5M	↑ 31.0%
Personal Lines Combined Ratio	105.5%	102.3%	↓ 3.2%
Commercial Lines Combined Ratio	93.5%	75.9%	↓ 17.6%
Total Company Combined Ratio	102.3%	96.2%	↓ 6.1%
Total Return on Invested Assets	2.1%	2.0%	↑ 0.1%
Net Operating Income	\$0.6M	\$10.4M	↓ 94.0%

# Strong growth and consistent profitability

Direct Written Premiums | \$ millions



Combined Ratio



Personal Lines performance has been consistently profitable, while Commercial Lines has stabilized 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 long-standing 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

Echelon has recently embraced a new strategy to ***increase market share, regain profitability*** and ***refocus on our core Canadian business***. Our efforts over the past two years have been 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

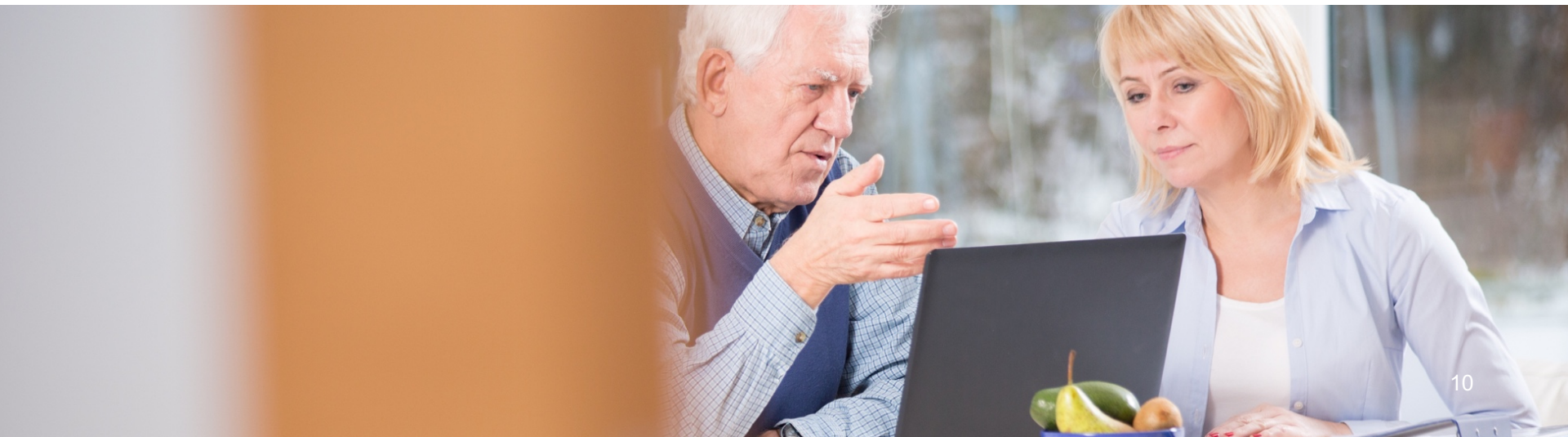
# Setting the stage for profitable growth

## 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.
- We have strengthened our relationships with existing brokers and formed new partnerships to support our newest business lines. We continue to work to better understand the needs of our brokers and their clients, so to better respond to gaps in the marketplace.



# Setting the stage for profitable 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.
- Ontario: Launched in Summer 2017
- Quebec: Launched in Summer 2017
- Alberta: Launching in Winter 2018
- British Columbia: Launching in 2018
- 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 (LHT) division was formed in early 2016, and initially offered coverage in Quebec only. In fall 2017, this offering was extended to Ontario, and will be made available in Alberta in early 2018. Our LHT product is offered exclusively through specialty brokers who have a deep understanding of the trucking business.
- Moving into 2018, we will continue to expand these new products across the country.
- We will also continue to grow our Commercial Lines Portfolio.

# Ready to deliver

With a solid foundation in place – including an ***experienced leadership team***, ***an enhanced system*** and ***in-demand products***, Echelon is positioned for profitable future growth. 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

- We are increasing our risks base and capitalizing on market conditions by insuring reasonable shares of larger accounts

## 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 (approximately 5% from 2002-2017)*** and ***minimal level 3 assets.***

**212%**

Echelon MCT

**355%**

ICPEI MCT

**B++**

A.M. Best Rating  
(Stable)

**\$29M**

Excess capital



# Investment philosophy

## Echelon Investment Portfolio

\* AS AT DECEMBER 31, 2017

**\$282M\***

### Policyholders' Pool

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

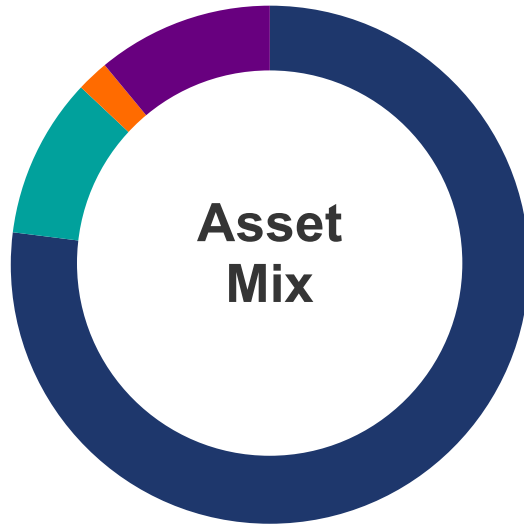
**\$101M\***

### 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



**77%** Fixed income  
**10%** Preferred shares  
**2%** Common shares  
**11%** Cash & Short-term deposits

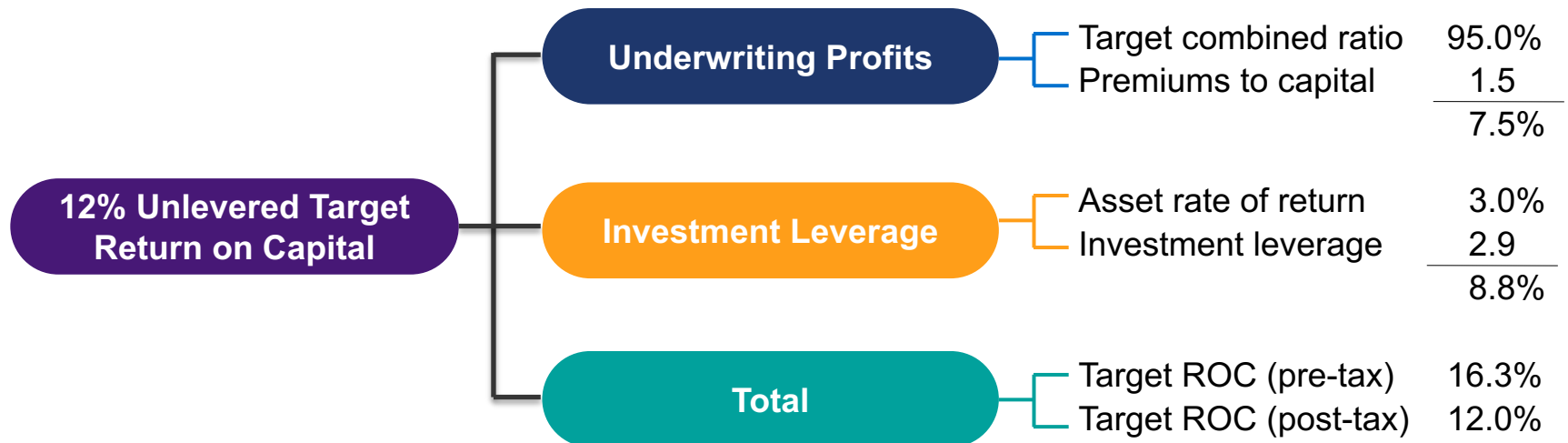


**43%** AAA  
**17%** AA  
**28%** A  
**10%** BBB  
**2%** BB or lower

Average rating  
**AA**

Average duration  
**2.7**

# Target return on capital (ROC)



Unlevered target return on capital  
12%



# Conclusion

Moving forward, 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.

