



# Investor Presentation

November 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

\*As at September 30, 2018

Stock ticker\*  
**EFH**

Market capitalization\*  
**\$149M**

Book value\*  
**\$154M**

YTD Gross Written Premium\*  
**\$297M**

# 2018 Third Quarter Highlights

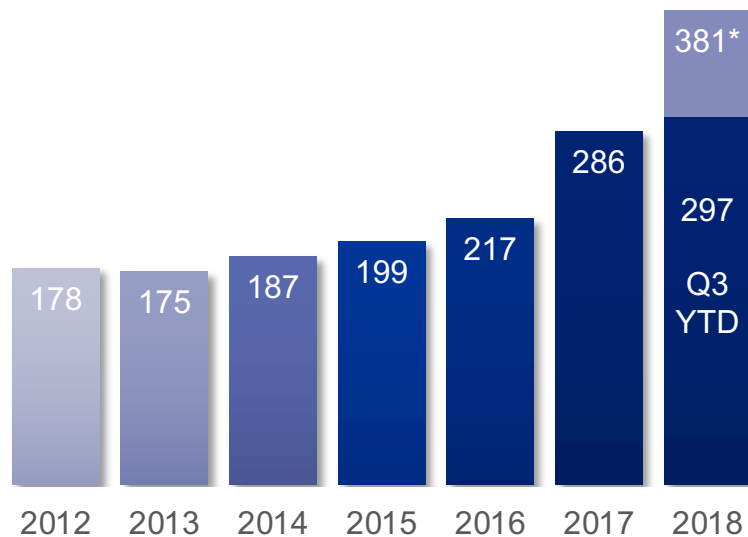
	Q3 2018	Q3 2017	Change
Book Value Per Share	\$12.89	\$12.14	↑ 6.2%
Direct Written Premium	\$105.0M	\$78.0M	↑ 34.6%
Personal Lines Combined Ratio	94.0%	100.4%	↓ 6.4%
Commercial Lines Combined Ratio	105.9%	109.4%	↓ 3.5%
Total Company Combined Ratio	97.8%	102.8%	↓ 5.0%
Total Return on Invested Assets	0.42%	-0.30%	↑ 0.72%
Net Operating Income	\$2.1M	\$1.2M	↑ 77.3%

# 2018 YTD Year Highlights

	Q3 2018	Q3 2017	Change
Book Value Per Share	\$12.89	\$12.14	↑ 6.2%
Direct Written Premium	\$297.1	\$217.7M	↑ 36.5%
Personal Lines Combined Ratio	95.3%	97.4%	↓ 2.1%
Commercial Lines Combined Ratio	99.4%	96.3%	↑ 3.1%
Total Company Combined Ratio	96.7%	97.1%	↓ 0.4%
Total Return on Invested Assets	1.21%	1.20%	↑ 0.01%
Net Operating Income	\$8.6M	\$6.9M	↑ 25.6%

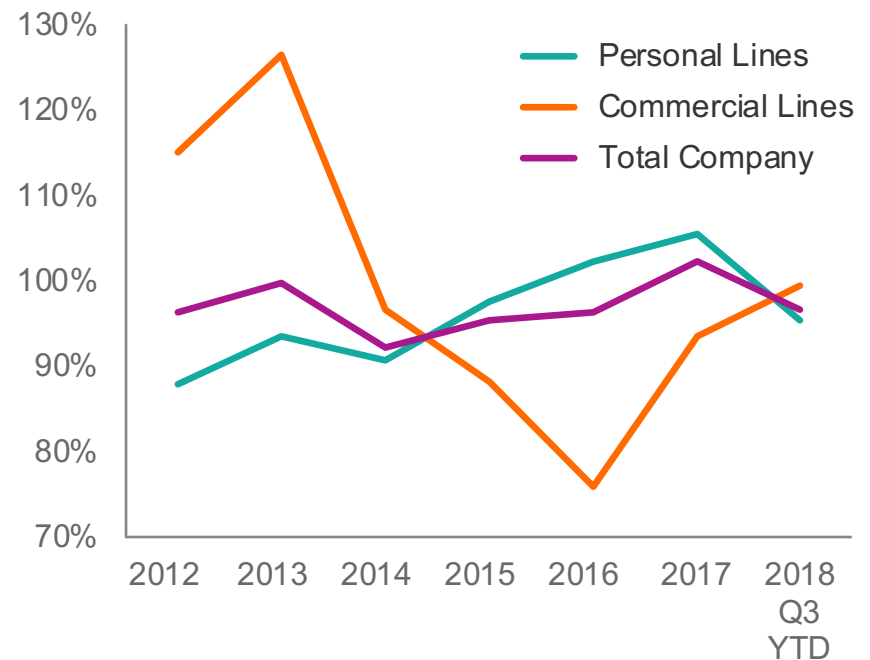
# Strong growth and consistent profitability

Direct Written Premiums | \$ millions



\*2018 Projection

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 our *Passport System* 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



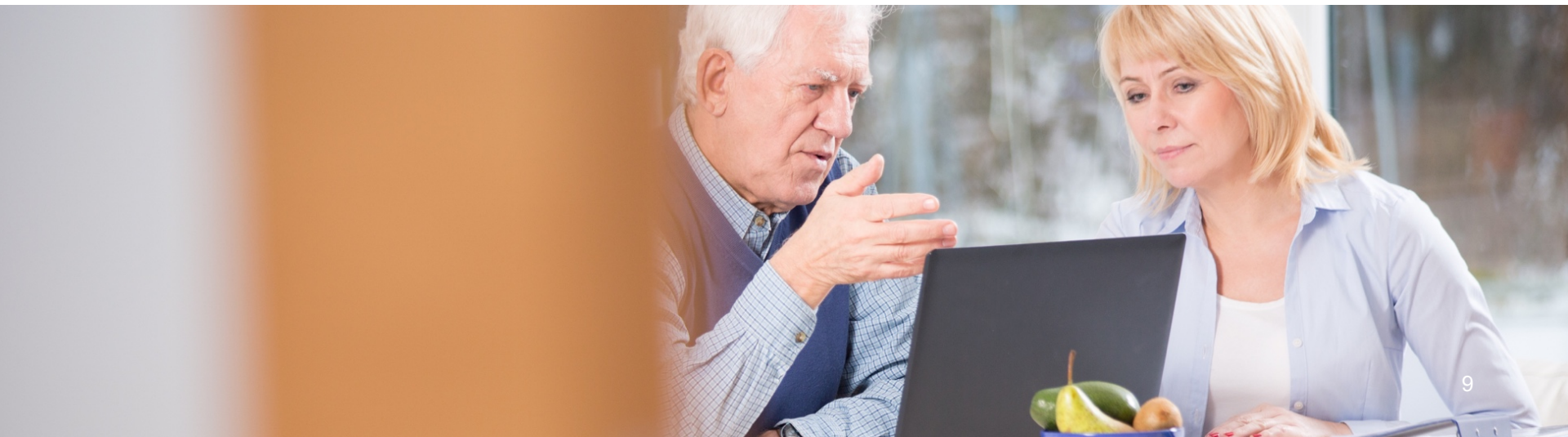
# Setting the stage for profitable growth

## 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. In 2017, we recently our Passport System to brokers across Canada to support enhanced connectivity and a more seamless workflow.
  - Ontario: Launched in Summer 2017
  - Quebec: Launched in Summer 2017
  - Alberta: Launching in Fall 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 currently operates in Quebec and Ontario. Our LHT product is offered exclusively through specialty brokers who have a deep understanding of the trucking business.
- Moving into the second half of 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 (an average of 8% from 2014-2017)*** and ***minimal level 3 assets***.

**231%\***

Echelon MCT

**298%\***

ICPEI MCT

**B++**

A.M. Best Rating  
(Stable)

**\$28M**

Excess capital

\*Q3, 2018



# Investment philosophy

**\$286M\***

**Policyholders'  
Pool**

- Comprised of assets belonging economically to policyholders and claimants that are paid when due
- Investment strategy is primarily capital preservation, with appropriate volatility levels and asset diversification
  - Primarily comprised of investment grade bonds and preferred shares with high credit ratings
- The PHP assets closely match the duration of the offsetting policyholder liabilities to lower both mismatch risk and associated MCT capital charge for interest rate margin

**\$138M\***

**Shareholders'  
Pool**

- Comprised of residual investment assets after Echelon's fiduciary obligations
- Follows an investment strategy that is more aggressive than that of the PHP portfolio
  - Allows for investments in high yield bonds, lower rated preferred shares, equities and other asset classes

*\*excludes holding company assets*

Echelon utilizes a balance-sheet-based model for asset allocation of the consolidated investment portfolio

# Conservative and diversified portfolio



**66%** Fixed income  
**16%** Cash & Short-term deposits  
**10%** Preferred shares  
**6%** Pooled Funds  
**2%** Common shares



**41%** AAA  
**19%** AA  
**25%** A  
**11%** BBB  
**4%** BB or lower



**86%** P2  
**14%** P3

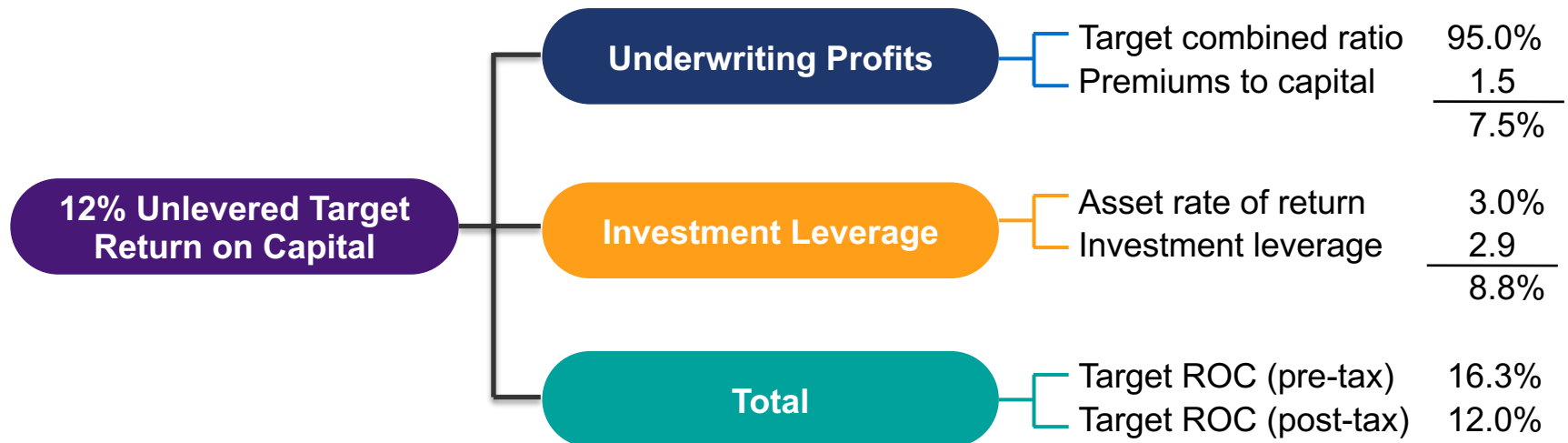
Average rating

AA

Average duration

2.8

# 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.

