

Echelon Financial Holdings Inc.

Annual Information Form

(in respect of the financial year ended December 31, 2015)

March 10, 2016

Table of Contents

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS.....	3
CORPORATE STRUCTURE	3
The Company.....	3
Inter-corporate Relationships.....	4
GENERAL DEVELOPMENT OF THE BUSINESS	4
Three-Year History.....	4
DESCRIPTION OF THE BUSINESS	5
General	5
Products and Services	5
Reinsurance	7
Investment Management.....	7
Employees	8
Risk Factors	8
Insurance Regulatory Matters.....	8
NORMAL COURSE ISSUER BID	9
DIVIDENDS.....	9
DESCRIPTION OF CAPITAL STRUCTURE	10
MARKET FOR SECURITIES.....	10
DIRECTORS AND OFFICERS	11
Committees of the Board of Directors.....	12
Governance Committee	12
Investment Committee	12
Audit and Risk Committee	12
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	14
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	14
TRANSFER AGENT AND REGISTRAR.....	14
INTERESTS OF EXPERTS	14
ADDITIONAL INFORMATION	15
GLOSSARY OF SELECTED INSURANCE TERMS	15
APPENDIX "A"	A-1

Unless otherwise indicated, all information in this Annual Information Form (“AIF”) is presented as at and for the year ended December 31, 2015, and amounts are expressed in Canadian dollars.

Unless otherwise indicated or the context otherwise requires, references to “EFH” refer to Echelon Financial Holdings Inc. and its subsidiaries, while references to the “Company” refer to Echelon Financial Holdings Inc. itself, both now and in its predecessor forms.

A glossary of terms used but not otherwise defined in this AIF is set out at the end of this document.

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this AIF may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this AIF, such statements use such words as “may”, “will”, “expect”, “believe”, “plan” and other similar terminology. These statements reflect current expectations regarding future events and operating performance and speak only as of the date of this AIF. Forward-looking statements involve significant risks, uncertainties and assumptions, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results, performance or achievements discussed in the forward-looking statements, including, but not limited to, the factors discussed under “Risk Factors”. Although the forward-looking statements contained in this AIF are based upon what management of the Company believes, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this AIF, and the Company undertakes no obligation to update or revise them to reflect new events or circumstances.

For additional information with respect to these and other risks or factors, reference should be made to the Company’s continuous disclosure materials and documents filed from time to time with Canadian securities regulatory authorities, available at www.sedar.com.

CORPORATE STRUCTURE

The Company

Echelon Financial Holdings Inc. (the “Company”), renamed in May 2015, was formed by Articles of Amalgamation dated January 11, 2005, under the laws of the Province of Ontario on the amalgamation of Canadian Insurance Marketing Inc. (“CIMI”) with its then wholly-owned subsidiary, EGI Financial Holdings Inc. CIMI was originally incorporated by Articles of Incorporation dated August 18, 1997, under the laws of the Province of Ontario.

EFH operates in the property and casualty (“P&C”) insurance industry in Canada and Europe. The Company underwrites non-standard automobile insurance and other specialty insurance products, with a focus on niche underserved markets.

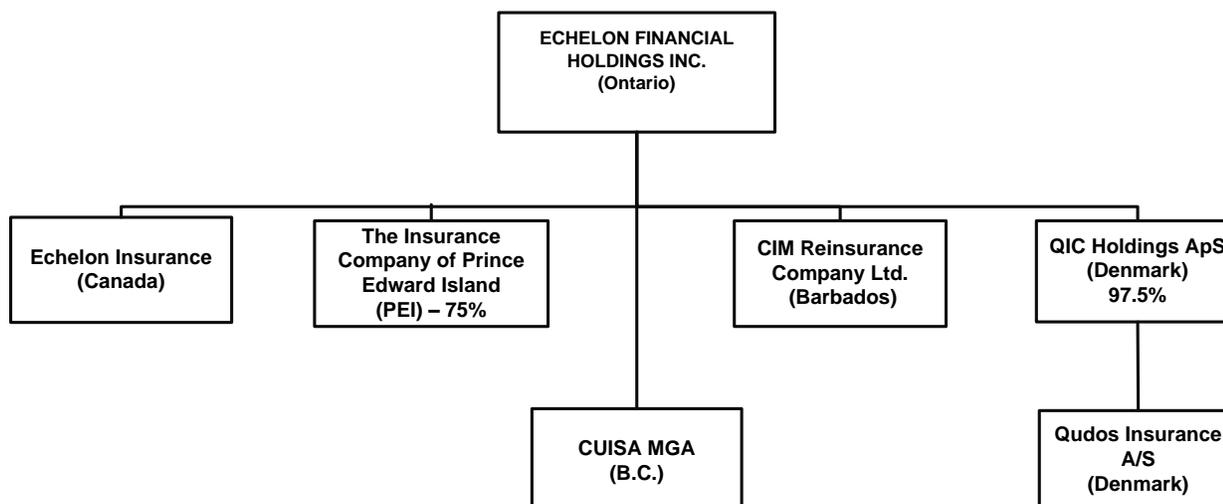
EFH operates in Canada through Echelon Insurance (“Echelon”), a federally-regulated P&C insurance company and The Insurance Company of Prince Edward Island (“ICPEI”), a provincially regulated insurance company.

The International division underwrites specialty insurance programs in Europe through Qudos Insurance A/S (“Qudos”), a majority-owned insurance company. Qudos is domiciled in Denmark and is regulated throughout the European Union by the Danish Financial Supervisory Authority (“DFSA”). Qudos reinsures its business through EFH’s wholly owned reinsurance subsidiary, CIM Reinsurance Company Ltd. (“CIM Re”), domiciled in Barbados, and through highly rated external reinsurers.

EFH's corporate head office and registered office is located at 2680 Matheson Blvd. E., Suite 300, Mississauga, Ontario L4W 0A5.

Inter-corporate Relationships

The following chart sets out the subsidiaries of the Company as at December 31, 2015, including the jurisdiction of incorporation of such subsidiary. All subsidiaries are wholly-owned other than QIC Holdings ApS and ICPEI.



On January 1, 2015, EGI Insurance Managers Inc. and Echelon Financial Holdings amalgamated to simplify the organizational structure from a taxation and cash management perspective.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

EFH operates in the property and casualty (“P&C”) insurance industry in Canada and Europe. The Company focuses primarily on non-standard automobile insurance and other niche and specialty general insurance products. Founded in 1998 as an insurance and reinsurance broker and marketer, EFH has since developed its business to focus on underwriting opportunities not served by many of the larger, standard insurers.

In October 2011, the Company acquired a controlling interest in QIC Holdings ApS (“QIC”), a Danish holding company with a wholly-owned subsidiary, Qudos Insurance A/S (“Qudos”), a newly-incorporated non-life insurance company, based in Copenhagen, Denmark. As at December 31, 2015, the Company owned 97.5% of QIC. The minority shareholders of QIC are Brian M. Clausen and Russell J. English, who have primary responsibility for sourcing insurance business for Qudos. Mr. Clausen and Mr. English collectively have over 60 years of experience in European insurance and reinsurance, primarily in niche program business.

On May 1, 2012, the Company acquired CUISA Managing General Agency Corporation (“CUISA MGA”), a British Columbia specialty insurance operation. CUISA MGA was established in 1996 and provides insurance services to 160 credit-union-owned insurance broker offices in British Columbia. It provides brokers with access to insurance markets and unique products that they would have difficulty accessing individually. CUISA MGA has developed and offers a broad range of personal and commercial lines products, and has been an authorized distributor for EFH's subsidiary, since 2006.

On December 3, 2013, the Company completed the sale of its U.S. insurance operations.

On July 1, 2014, the Company acquired 75% ownership of ICPEI. ICPEI primarily underwrites auto, personal and commercial property products distributed through independent brokers in Prince Edward Island, New Brunswick and Nova Scotia.

DESCRIPTION OF THE BUSINESS

General

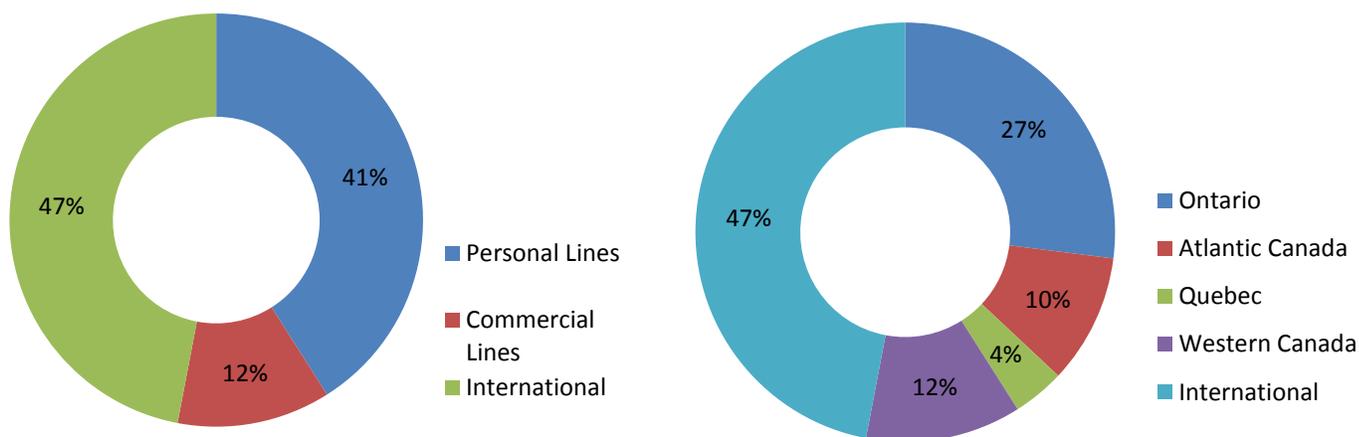
EFH operates through Echelon and ICPEI in Canada. Echelon has two main segments, Personal Lines and Commercial Lines. Personal Lines focuses on the underwriting of non-standard automobile insurance, and insurance for motorcycles, antique and classic cars, trailers, motor homes and recreational vehicles. Commercial Lines designs and underwrites specialized insurance programs, such as higher premium commercial property, primary and excess liability, legal expense and extended warranty coverage for homes, consumer products and heavy equipment. ICPEI primarily writes auto, and personal and commercial property in the Maritime Provinces.

Outside of Canada, EFH operates through Qudos and CIM Reinsurance Company Ltd. ("CIM Re"). In 2012, Qudos commenced writing business in various European countries, which is very similar in nature to the business underwritten by EFH's Specialty Programs in Canada. Qudos' head office is located in Copenhagen, Denmark, and it is regulated by the Danish Financial Services Authority. Qudos reinsures its business through EFH's wholly owned reinsurance subsidiary, CIM Re, domiciled in Barbados, and through highly-rated external reinsurers.

The business of EFH and its subsidiaries, including critical accounting estimates and assumptions, is described in more detail in the Company's annual Management's Discussion & Analysis for the financial year ended December 31, 2015, which is incorporated by reference in this AIF.

Products and Services

The breakdown of net written premiums during 2015 by Category and Region is illustrated below:



Personal Lines

Personal Lines non-standard automobile insurance is the largest single component of EFH's business. The automobile segment currently targeted is non-standard insurance for drivers who, because of inexperience or a poor driving record, are not able to obtain insurance from standard insurers. EFH provides coverage for private passenger vehicles as well as single commercial vehicles, small commercial and farm fleets. Management believes that EFH's underwriting processes, claims expertise,

strict controls and experienced management team, who are well-versed in the nuances of non-standard auto, enable EFH to select those drivers in the non-standard categories who have a proportionally lower potential claims risk. Over the past several years, EFH has also expanded its reach into targeted, “grey” market segments (the market space between true non-standard and the cleanest of standard risks).

EFH targets drivers most likely to be “reformers” not “repeaters”. These non-standard auto risks fall between the Facility Association and the applicants normally targeted by standard market insurers. The likely reformer expresses concern with respect to his or her poor driving record and will exhibit a sincere desire to improve (so as to re-enter the standard market at standard rates). EFH trains its brokers and agents to select qualifying risks. EFH then employs the experience of its underwriting personnel to ensure that complete and accurate underwriting and rating information has been developed.

EFH prices risks in defined segments by (i) utilizing actuarial analysis of its own as well as industry data; (ii) testing a broad range of variables; (iii) analyzing direct competitors’ rates; and (iv) by seeking reliable predictors of future claims. Some of the variables used are age, class of driver, type and use of the vehicle, territory and prior driving history. EFH’s proposed automobile rates must be filed with, and approved by, provincial insurance regulators before they are implemented. EFH continually monitors its loss experience and actively re-prices its products as necessary.

EFH markets its Personal Lines products through insurance brokers and agents. In addition, EFH has a distribution agreement with The Co-operators General Insurance Company (“Co-operators”) whereby Co-operators agents are permitted to distribute EFH’s non-standard automobile products. Selection and monitoring of producers are significant factors in EFH’s marketing strategy. As producers have significant influence over which insurance company’s policies are offered to their customers, management regards its producers as key, frontline decision makers. In recent years, EFH has focused on appointing brokers and agents in rural and smaller urban centres as experience has shown that these areas are consistently more profitable. This strategy has resulted in enhanced underwriting margins that exceed the industry average.

EFH grants its brokers and agents limited authority to bind automobile insurance coverages in accordance with its guidelines. EFH promptly reviews all coverages bound by brokers and agents and decides whether to continue such coverages. All final underwriting decisions are made by EFH.

EFH compensates brokers based on a fixed percentage of premiums written. In addition, a contingent commission may be paid to brokers that meet certain targets such as premium volume and underwriting claims ratios.

In addition to non-standard auto insurance, EFH also writes other specialty auto insurance lines such as motorcycles, antique cars, trailers, motorhomes, snowmobiles and all terrain vehicles.

The non-standard automobile insurance business in Canada is relatively competitive. The size of the non-standard automobile segment varies over time, as standard market insurers adjust their pricing and underwriting rules. EFH’s competitors in this market segment include Perth Insurance Company, Pafco Insurance Company and Coachman Insurance Company. Insurers compete on the basis of premiums, commission rates, underwriting rules, service levels and ease of transacting business.

EFH aims to maintain and grow its Personal Lines business through personalized service, specialized underwriting and the sophisticated management of risk. More specifically to:

- Protect its dominant position in non-standard auto markets.
- Accelerate investments in technology to provide seamless interaction with distributors.
- Improve retention of its best customers through careful expansion into targeted “grey” market segments.
- Expand specialty auto products in Ontario, Alberta, Quebec and Nova Scotia.

- Build a stronger presence in Western Canada.
- Continue to develop sophisticated pricing techniques such as predictive analytics.

Commercial Lines

Commercial Lines provides specialized commercial and personal insurance products and programs. This division works with P&C insurance brokers, managing general agents (MGAs), warranty product distributors and third party administrators (TPAs) to design insurance solutions that respond to unique distribution opportunities and gaps in the insurance market created by traditional insurers' focus on standardized coverage. EFH seeks distributors who have developed a portfolio of business focused on a particular niche in the market. The distributor must have a demonstrable expertise to distribute, underwrite and administer the portfolio of business successfully. EFH combines its market research and underwriting skills with the distributor's specialized expertise to create consumer-oriented product offerings. EFH occasionally enters into risk-sharing agreements with distributors allowing them to participate as an underwriting risk partner. This helps to ensure the distributor's commitment to service and adherence to program and underwriting guidelines.

EFH has witnessed increased competition in the specialized niche markets in recent years, as soft market conditions prevail in many commercial P&C insurance markets. EFH's key competitors vary significantly by product and line of business.

International Division

In 2012, EFH began writing premiums in Europe through its investment in Qudos. Qudos' objective is to deliver superior return on equity through specialized insurance programs distributed through managing general agencies. With the advent of the European Union's Third Directive, the European insurance industry is essentially a single market.

As at December 31, 2015, the majority of the business was taxis, non-standard auto and home warranties in the United Kingdom and Scandinavia. Qudos' objective is to build a geographically diverse product portfolio that is capital efficient under the European Union's Solvency II regulatory framework that was introduced in January, 2016. The risks associated with a fast growing operation will be partially mitigated through quota share reinsurance with high-quality external reinsurers.

Reinsurance

EFH has reinsurance treaties with several unaffiliated reinsurers, all of whom are selected on the basis of their credit worthiness. EFH purchases reinsurance to reduce its exposure to the insurance risks that it assumes in writing business.

In accordance with industry practice, EFH's reinsurance recoverables with licensed Canadian and International reinsurers are generally unsecured to reduce the capital requirements under Canadian and Solvency II capital regulations. For reinsurance recoverables with non-licensed reinsurers, EFH maintains security against reinsurance recoverables in the form of cash and letters of credit.

EFH depends upon the financial stability of its reinsurers in the same way that its insureds rely upon EFH. EFH believes that there is currently adequate reinsurance capacity in those classes of business which it underwrites and EFH is not aware of any developments that might cause a serious shortage of capacity in the future.

Investment Management

EFH's investment objectives are to produce an attractive total return on its invested assets after taxes, maximize returns on a return to regulatory capital basis and to maintain adequate liquidity for insurance operations.

The two most important methods employed by EFH to reduce the level of risk while achieving attractive rates of return on its investment portfolio are diversification and the use of experienced investment professionals to manage the investment portfolio.

EFH conducts an efficient frontier analysis that seeks to optimize asset allocation decisions from a risk and return perspective. In addition, EFH ensures that the asset allocation is optimum from a use of regulatory capital perspective.

Diversification is achieved through principles that ensure each asset class has limited exposure by region, industry, issuer and type of underlying security. Target ranges are set for each asset class and are monitored by the Investment Committee to ensure that EFH's investment managers comply with these guidelines.

EFH outsources all trading decisions on individual securities to a small number of reputable and professional investment managers. The Investment Committee regularly monitors the performance of each manager and measures their performance against appropriate market index benchmarks.

Employees

As at December 31, 2015, EFH had 169 full-time employees. None of EFH's employees are subject to a collective bargaining agreement.

Risk Factors

The risks inherent in EFH's operations are described in the Company's 2015 Management's Discussion and Analysis under the heading "*Risk Factors*" which is hereby incorporated by reference in this AIF and is available on SEDAR at www.sedar.com.

Insurance Regulatory Matters

While Echelon is federally regulated by OSFI, under the *Insurance Companies Act* (Canada), the marketing of insurance is regulated on a provincial and territorial basis in Canada. Qudos is regulated by the Danish FSA ("DFSA") as described below. ICPEI is provincially regulated in Prince Edward Island. EFH's affairs are regulated in many respects including the assets in which it may invest, the levels of capital and surplus and the standards of solvency that it must maintain, and the amount of dividends that it may declare and pay. Under such legislation, insurance administrators are given broad powers of administration and enforcement over insurers. The legislation and policies of different jurisdictions may not be consistent. Compliance with the capital standards of OSFI will generally satisfy the regulatory capital requirements of all Canadian jurisdictions.

The regulation of insurance policies, in particular auto insurance policies, varies significantly between different jurisdictions. Automobile accident benefits coverage is compulsory everywhere in Canada except Newfoundland. Collision insurance is optional in all jurisdictions in Canada other than Manitoba and Saskatchewan. In all provinces and territories except for Quebec, Manitoba, Saskatchewan and British Columbia, auto insurance is provided by private insurers. Manitoba, Saskatchewan and British Columbia require that basic auto insurance coverage be issued through their provincial government-owned insurer. In these provinces, the government and private insurers compete for optional and excess coverage. In Quebec, the government insurer administers bodily injury claims, while first and third party property damage claims are covered by private insurers. In Ontario, there are limited rights of recovery through lawsuits for death and serious injury. In Quebec and Manitoba, lawsuits are not permitted with respect to injuries sustained in auto accidents. Victims and their dependents resident in those provinces are compensated by their government insurer for their injuries whether or not the accident occurs in their home province. In Quebec, accident victims who do not reside there are entitled to compensation only to the extent that they are not responsible for the accident, unless otherwise agreed between the Quebec government insurer and authorities of the victim's place of residence; additional compensation may be available from their own insurers. The legislation in Manitoba contains provisions similar to those of Quebec.

As noted previously, Qudos is regulated by the DFSA. The DFSA is an independent authority under the Ministry of Economic and Business Affairs (OEM) and discharges its supervision in accordance with the Financial Business Act and other relevant legislation. The OEM can issue further regulation on the DFSA's supervisory procedures and may give instructions to the DFSA. The DFSA licenses insurers and insurance intermediaries under the terms of the Financial Business Act and has been delegated the authority by the OEM to approve mergers and acquisitions of insurance undertakings. It can also withdraw licenses or impose sanctions on entities for non-compliance with the Financial Business Act or their other regulatory obligations. It has regulatory powers to issue executive orders and guidelines under the Financial Business Act. However, the supreme decision-making bodies are the two financial councils, the Financial Business Council (FBC) and the Danish Securities Council (DSC). These Councils decide on supervisory matters of principle, as well as supervisory matters with significant financial consequences for financial undertakings, and advise the DFSA in connection with issuing regulation, as stated in the Financial Business Act. The DFSA adopts a risk-based supervisory approach. It engages in supervisory cooperation and information-sharing with other domestic and foreign regulators to achieve effective supervision. The DFSA is listed as a member on the International Association of Insurance Supervisors website. A critical component of the selection of Denmark as a suitable jurisdiction was the openness of the DFSA to high reinsurance cessions and fronting arrangements.

From a policyholder point of view, all policies issued by a Danish non-life insurance company are covered under the Guarantee Fund established in accordance with Danish law. The DFSA sets the level of contributions by the insurance companies, with a maximum contribution rate of 0.5% of gross premiums. The current levy is nil.

Solvency II introduced in 2016, strengthened EU-wide requirements on capital adequacy and risk management for insurers with the aim of increasing policyholder protection. The strengthened regime aims to reduce the possibility of consumer loss or market disruption in insurance.

NORMAL COURSE ISSUER BID

On August 19, 2014, the Company received approval from the TSX to commence an NCIB on August 21, 2014, to repurchase and cancel up to 703,792 common shares, representing approximately 10% of its public float of issued and outstanding common shares at that time. This was in force until August 20, 2015.

On October 8, 2015, the Company received approval from the TSX to commence an NCIB to repurchase and cancel up to 619,265 common shares, representing 10% of the public float issued and outstanding common shares at that time. This is in force until October 7, 2016.

Up to March 10, 2016, the Company has purchased and cancelled 90,700 common shares under the NCIB at an average cost of \$13.77 per share for a total cost of \$1.2 million.

DIVIDENDS

Common Shares

The payment of a common share dividend is at the discretion of the Board of Directors and depends on, among other things, EFH's financial condition, results of operations, regulatory capital requirements, and other factors that the Board of Directors deems relevant.

On January 2, 2014, the Board of Directors of the Company commenced paying quarterly dividends to shareholders, with the first dividend declaration being \$0.10 per Common Share. The Company declared and paid cash dividends in the aggregate amount of \$0.40 per share during 2014.

On November 6, 2014, the Board of Directors approved an increase in the quarterly dividend by 10% to \$0.11 per outstanding common share, payable on January 2, 2015. The Company declared and paid cash dividends in the aggregate amount of \$0.44 per share during 2015.

On November 5, 2015, the Board of Directors approved an increase in the quarterly dividend by 9% to \$0.12 per outstanding common share, payable on January 4, 2016.

Common Shares

Announcement date	Payment date	Dividend amount
December 3, 2013	January 2, 2014	\$0.10
February 20, 2014	April 1, 2014	\$0.10
May 8, 2014	July 2, 2014	\$0.10
August 7, 2014	October 1, 2014	\$0.10
November 6, 2014	January 2, 2015	\$0.11
February 17, 2015	April 1, 2015	\$0.11
May 6, 2015	July 2, 2015	\$0.11
August 6, 2015	October 1, 2015	\$0.11
November 5, 2015	January 4, 2016	\$0.12
February 17, 2016	April 1, 2016	\$0.12

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares of which 11,729,112 were issued and outstanding as of December 31, 2015. All outstanding Common Shares are fully paid and non-assessable.

The holders of the Common Shares are entitled to:

- (a) one vote per Common Share on all matters to be voted on at all meetings of shareholders of the Company, except meetings at which only holders of a specified class of shares are entitled to vote;
- (b) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, any dividends declared by the Company; and
- (c) receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of the Company, the remaining property of the Company upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

The Company has no debt and there are no pre-emptive, redemption, purchase or conversion rights attaching to the Common Shares.

MARKET FOR SECURITIES

The Company's Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "EFH".

The following chart provides information on the high and low sale prices and volume for the Common Shares of the Company on the TSX for the periods indicated.

<u>Month</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
January 2015	13.22	12.20	205,138
February 2015	17.00	12.85	527,542

March 2015	16.67	15.30	363,137
April 2015	16.00	15.50	150,134
May 2015	16.70	13.26	409,332
June 2015	15.86	14.58	260,928
July 2015	15.70	14.77	192,315
August 2015	15.32	14.40	70,076
September 2015	14.98	13.77	229,929
October 2015	14.50	13.80	93,188
November 2015	14.30	12.70	65,744
December 2015	13.51	12.41	47,769

There were 202,125 Common Shares issued on the exercise of options granted pursuant to the Company's Stock Option Plan. There were 42,657 Restricted Share Units exercised during 2015.

DIRECTORS AND OFFICERS

The names and Provinces of residence of the directors and executive officers of the Company, positions held by them with the Company and their principal occupations for the past five years are as set forth below. Each of the directors will serve until the next annual meeting of shareholders.

Name and Place of Residence	Current Office⁽¹⁾	Principal Occupation⁽²⁾	Director Since
Robert Purves Ontario, Canada	Director and Chairman of the Board	Chairman, Purves Redmond Limited, an insurance brokerage firm	August 1997
Douglas E. McIntyre ⁽³⁾ Ontario, Canada	Director and Vice Chairman of the Board	Retired. Formerly Chief Executive Officer of the Corporation	August 2001
Peter Crawford Ontario, Canada	Director	Retired. Formerly Chief Financial Officer and Treasurer of the Co-operators Group	January 2013
Steve Dobronyi Ontario, Canada	Director and Officer	Chief Executive Officer of the Company	May 2013
Ani Hotoyan-Joly Ontario, Canada	Director	Chief Financial Officer and Corporate Secretary, Coventree Inc.	May 2014
Carol Poulsen Ontario, Canada	Director	Executive Vice President and Chief Information Officer, The Co-operators Group Limited, an insurance company	May 2014
Brian Reeve Ontario Canada	Director	Partner and Chair of the Corporate and Regulatory Insurance Group of Cassels Brock & Blackwell LLP	December 2015
Angus Ross Ontario, Canada	Director	Independent consultant on reinsurance and environmental issues	January 2013
Murray Wallace	Director	Executive Chairman of Financial Horizons Group	December 2015

Name and Place of Residence	Current Office⁽¹⁾	Principal Occupation⁽²⁾	Director Since
Ken Coulson Ontario, Canada	Officer	Vice President & General Counsel	
Alvin Sharma Ontario, Canada	Secretary and Officer	Chief Financial Officer of the Company	
Michel Trudeau Ontario, Canada	Officer	Chief Actuary of the Company	

- (1) Office is with the Company unless otherwise indicated.
- (2) During the past five years each of the foregoing directors and executive officers has been engaged in the principal occupation shown opposite his or her name, except as follows: (i) Robert Purves was also President, Purvest Inc. and a director and Secretary of Iridium Risk Services Inc (ii) Carol Poulsen was previously SVP Group Architecture, Applied Innovation and Solution Delivery Services for RBC globally until October 2011; (iii) Alvin Sharma, prior to his appointment as Chief Financial Officer of the Company in September 2012, was Vice President, Global Treasury at American Life Insurance Company and Director, Global Treasury Services at RBC Capital Markets. From 2004 to 2010, he was employed at Sun Life Financial; (iv) Michel Trudeau was Practice Leader Property-Casualty Actuarial Consulting Actuary at Dion Durrell & Associates Inc. from 2008 until 2013.
- (3) Resigned as a Director February 8, 2016

As of March 10, 2016, the directors and executive officers of the Company as a group, beneficially owned, directly or indirectly, or exercised control or direction over 14,666 Common Shares, representing approximately 3% of the outstanding Common Shares.

Carol Poulsen is an officer of Co-operators General Insurance Company, which, as of March 10, 2016, beneficially owned together with its affiliates 2,027,912 Common Shares, representing approximately 17.3% of the outstanding Common Shares.

Ani Hotoyan-Joly was the Chief Financial Officer of Coventree Inc. on November 8, 2011, when the Ontario Securities Commission issued an order that trading in any securities by Coventree cease and any exemptions contained in Ontario securities law do not apply to Coventree until such time as Coventree completes its winding-up. The order was made on the basis that Coventree had contravened Ontario securities law by failing to issue and file certain news releases and material change reports in 2007. The events in question occurred before Ms. Hotoyan-Joly became the Chief Financial Officer of Coventree Inc. in May 2009. Coventree continues in the process of a court-supervised winding-up and the order is still in effect.

Committees of the Board of Directors

The Board of Directors of the Company (the "Board") has established three Board committees: the Audit and Risk Committee, the Governance Committee and the Investment Committee. The information below sets out the current members of each of the Company's Board committees.

Governance Committee

The Governance Committee consists of four members, all of whom are independent Directors, currently comprised of Ani Hotoyan-Joly (Chair), Peter Crawford, Angus Ross and Carol Poulsen.

Investment Committee

The Investment Committee consists of three members, all of whom are independent Directors, currently comprised of Angus Ross (Chair), Carol Poulsen and Murray Wallace.

Audit and Risk Committee

The Audit and Risk Committee has been structured to comply with the requirements of National Instrument 52-110 Audit Committees ("NI 52-110") of the Canadian Securities Administrators.

Composition of Audit and Risk Committee

The Audit and Risk Committee is composed of the following persons: Peter Crawford (Chair), Angus Ross, and Ani Hotoyan-Joly.

The Board has determined that each of the Audit and Risk Committee members is unrelated, independent and financially literate within the meaning of NI 52-110.

A copy of the Audit and Risk Committee Charter is appended hereto as Appendix "A".

Relevant Education and Experience of Committee Members

The education and experience of each Audit and Risk Committee member that is relevant to such members' responsibilities as a member of the Audit and Risk Committee are set out below:

Peter Crawford

Peter Crawford has been a Director of Echelon Financial Holdings since January 2013 and a Director of Echelon Insurance since 2000. Peter Crawford is a former Chief Financial Officer of The Co-operators Group Limited with over twenty-five years of experience in the insurance and financial services industry. As the CFO and Senior Vice President Finance of The Co-operators Group of companies, he was a director of most of the enterprise's subsidiary companies and chairman of several subsidiary boards. He was a founding director of the Agency for Co-operative Housing, chairman of its Audit Committee and a member of its Governance Committee.

He was for many years a member of the Advisory Council to the Administration of the University of Waterloo. Mr. Crawford was also chairman of a major Capital Study Committee advising the board of the International Co-operative and Mutual Insurance Federation. Mr. Crawford is a Chartered Professional Accountant, CGA.

Angus Ross

Angus Ross has been a Director of Echelon Financial Holdings Inc. since January 2013 and a director of Echelon Insurance, since 2000. Mr. Ross is currently an independent consultant on reinsurance and environmental issues. He has over 35 years of insurance experience, including 8 as the CEO of a major French reinsurer's Canadian operations. He has also served as Chairman of the Canadian Reinsurance Research Council and as a Director of the Insurance Bureau of Canada.

Ani Hotoyan-Joly

Ani Hotoyan-Joly has been a director of both Echelon Financial Holding Inc. and Echelon Insurance since May 2014. Ms. Hotoyan-Joly is a Chartered Professional Accountant and Chartered Accountant with 30 years of business experience. She holds a Bachelor of Commerce degree from the University of Toronto and the ICD.D designation from The Institute of Corporate Directors.

Currently, she is the Chief Financial Officer and Corporate Secretary of Coventree Inc. Prior to Coventree, Ani has held several senior financial and management roles in the insurance industry. She is the National Treasurer of International Women's Forum of Canada and the Past Chair of the A.R.S. Armenian Private School's Board of Trustees.

Pre-Approval Policy

The Audit and Risk Committee shall pre-approve all services provided to EFH by the external auditor other than professional services performed by the external auditor for the audit and review of the Company's financial statements or services normally provided by the external auditor in connection with statutory and regulatory filings or engagements.

External Auditor Service Fees

During the two most recently completed financial years, the Company incurred the following fees to PricewaterhouseCoopers LLP, the Company's external auditor, for audit, audit-related and non-audit services:

External Auditor Fees (\$)	2015	2014
Audit fees	831,000	726,000
Audit- related fees	–	–
Tax fees	35,000	45,000
All other fees	23,000	47,000

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In the normal course of carrying on our business, EFH becomes the subject of insurance claims and is involved in various legal proceedings. Otherwise, EFH is not currently involved in any material legal proceedings, nor is it aware of any pending of threatened proceedings or claims for damages, where it believes the amount would have a material adverse effect upon its financial condition or results of operations.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

EFH has entered into transactions with two related parties, Co-operators (Co-operators Group Limited and Co-operators General Insurance Company); and Purves Redmond Limited ("Purves Redmond"). These transactions are carried out in the normal course of operations and are measured at cost which approximates fair value. Co-operators, which is a significant shareholder of EFH, distributes EFH products through its agents. Purves Redmond is involved in arranging insurance coverage for the companies within the EFH group. Robert Purves, a shareholder and director of EFH, is also a shareholder and Chairman of Purves Redmond.

The Insurance Company of Prince Edward Island ("ICPEI"), in which EFH has a 75% ownership, has entered into transactions with three related parties – Charlie Cooke Insurance Agency Ltd. ("CCIA"), Atlantic Adjusting & Appraisals Ltd. ("AAA") and Maritime Finance and Acceptance Corporation ("MFAC"). Some directors and officers of ICPEI are also shareholders of AAA and MFAC. These transactions are carried out in the normal course of operations and are measured at cost which approximates fair value. CCIA distributes ICPEI insurance products through its brokerage operations. CCIA has minority shareholders who are related parties of the minority shareholders of ICPEI. AAA and MFAC provide insurance operational services to ICPEI.

TRANSFER AGENT AND REGISTRAR

The Company's registrar and transfer agent is Computershare Investor Services Inc., Toronto, Ontario.

INTERESTS OF EXPERTS

The financial statements for the financial year ended December 31, 2015, have been audited by PricewaterhouseCoopers LLP, EFH's auditors.

Michel Trudeau, Chief Actuary of the Company, provided an opinion on the value of policy liabilities for the Company's consolidated balance sheets at December 31, 2015. As a member of senior management, Michel Trudeau holds security interest in the Company that represent less than 1% of the Company's outstanding securities.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's management proxy circular for its most recent annual meeting of shareholders involving the election of directors. Additional financial information is also provided in the Company's comparative consolidated financial statements for the financial year ended December 31, 2015, and management's discussion and analysis of such financial results. A copy of such documents and additional information relating to the Company is contained on SEDAR at www.sedar.com, the Internet site maintained by the Canadian Securities Administrators

.....

GLOSSARY OF SELECTED INSURANCE TERMS

Facility Association refers to an organization of the Canadian automobile insurance industry which exists to ensure that all drivers can obtain basic insurance, even if their application fails to meet the criteria of individual insurance companies;

DFSA - The DFSA is an independent authority under the Ministry of Economic and Business Affairs (OEM) and discharges its supervision in accordance with the Financial Business Act and other relevant legislation.

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;

Risk means a person or thing insured on an insurance policy; and

Underwriting means the assumption of risk for designated loss or damage by issuing a policy of insurance in respect thereof.

Solvency II - The Solvency II Directive is a European Union (EU) Directive that codifies and harmonizes EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency. Solvency II came into effect on January 1, 2016.

ECHELON INSURANCE
AUDIT AND RISK COMMITTEE CHARTER

PURPOSE

The Audit and Risk Committee (the "Committee") is a standing committee of the Board of Directors (the "Board") and shall provide assistance to the Board in fulfilling its responsibility to the Organization¹ by serving as an independent monitor of the Organization's financial reporting processes, risk management activities, systems of internal control and financial compliance. In addition, the Committee shall monitor the independence and performance of the external auditor and the internal audit function. The Committee shall facilitate communication among the Organization's external auditor, the Board and senior and financial management. The Committee shall perform this function by carrying out the activities described in this Charter.

The Committee shall act as the Audit and Risk Committee of the Organization as required under the Insurance Companies Act (Canada) (the "Act").

All members of the Committee shall have, or acquire within a reasonable period of time following their appointment, a broad understanding of the operating and financial affairs and related activities of the Organization.

ACCOUNTABILITIES AND RESPONSIBILITIES

FINANCIAL STATEMENTS, FINANCIAL REVIEW AND DISCLOSURE

The Committee shall ensure that the Organization adopts appropriate policies and procedures for the accuracy and integrity of its financial statements and returns and the timely reporting and disclosure of financial information to shareholders and regulators, including, but not restricted to, annual and quarterly financial statements, external auditor's opinions and reports, Appointed Actuary's reports, Management's Discussion and Analysis, annual and quarterly earnings press releases, The Committee shall make recommendations to the Board for its approval of such statements and documentation. The Chief Financial Officer, Appointed Actuary, external auditor, among others, shall be the principal resources available to the Committee.

RISK MANAGEMENT

The Committee shall ensure that the Organization adopts appropriate policies and procedures to identify, assess and prioritize enterprise risk management issues, appetite and tolerance. This includes, but is not restricted to, the review and acceptance of regular and timely reports on the Organization's coordinated resources to minimize, monitor and control the probability and/or impact of events or to maximize the realization of opportunities. The Committee shall review annually and recommend to the Board a Risk Appetite Framework. The Chief Financial Officer, among others, shall be the principal resource available to the Committee on risk management.

EXTERNAL AUDIT

The Committee shall be responsible for assessing the skills, resources and independence of the external auditor, including the audit firm's internal policies and practices for quality control and shall be satisfied with the content of the auditor's plan, including the fee estimate and engagement letter prior to it being signed. This will include determining if any change is required to the auditor's proposed materiality level and scope and the involvement of the Organization's internal audit resources. The Committee shall also consider areas of significant auditor judgement, key areas of risk for material misstatement of financial

¹ The Committee serves as the Audit and Risk Committee for both Echelon Financial Holdings Inc. and Echelon Insurance. Reference to "Organization" refers to both Echelon Financial Holdings Inc. and Echelon Insurance.

statements, significant or unusual transactions and enquire about internal control deficiencies and any disagreements with management. The auditor shall report on any non-audit services rendered to the Organization and related fees. The Committee with management shall assess the overall results of the annual audit using predetermined criteria and recommend the appointment or reappointment of the auditor.

INTERNAL CONTROLS

The Committee shall be responsible for ensuring the Organization adopts appropriate systems of internal control over the preparation of its financial statements and reporting requirements. The Committee shall review annually and recommend to the Board an Internal Control Framework. In addition, the Committee shall review and evaluate regular management reports on the effectiveness of internal controls and procedures including CEO and CFO certification requirements. Material control deficiencies shall be reported to the Committee until remedied. The Chief Financial Officer and Chief Internal Auditor, among others, shall be the principal resources to the Committee on internal controls.

INTERNAL AUDIT

The Committee shall be responsible for assessing the skills, resources and effectiveness of the internal audit function including approval of its annual plan of activities and examinations, review and acceptance of regular reports on its findings and remedial recommendations and follow through to ensure implementation. The Chief Internal Auditor reports functionally to the Chairman of the Committee and administratively to the Chief Financial Officer.

OTHER

The Committee shall review its Charter annually and recommend any changes to the Board for approval.

The Committee shall approve an Annual Work Plan for its activities.

The Committee shall review and approve the annual budgets of the Finance and Compliance Departments.

On a regular basis, the Committee shall meet privately with each of the Chief Financial Officer, Appointed Actuary, the External Auditor and the Chief Internal Auditor.

MEMBERSHIP AND ORGANIZATION

1. *Composition* - The Committee is a standing committee of the Board consisting of a minimum of three members, all of whom are non-management directors. The Committee shall be composed entirely of directors who are independent, as defined by section 1.4 of NI 52-110, and who satisfy all other applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee. At the invitation of the Committee, members of the Organization's management and others may attend Committee meetings as the Committee considers necessary or desirable.
2. *Appointment* - The Committee comprises of the Chairperson of the Committee along with a minimum of two other members elected by the non-management directors on the Board. Each member of the Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board, or until the earlier of: (a) the close of the next annual meeting of shareholders of the Organization, at which the member's term of office expires; (b) the resignation, disqualification or removal of the member from the Committee or from the Board. The Board may fill a vacancy in the membership of the Committee at any time.
3. *Chair* - At the time of the annual appointment of the members of the Committee, the Board shall appoint a Chair of the Committee. The Chair shall: preside over all Committee meetings; coordinate the Committee's compliance with this Charter; work with management to develop the Committee's meeting agendas and annual work plan; and provide reports on the work of the

Committee to the Board. The Chair of the Committee may vote on any matter requiring a vote and shall provide a second vote in the case of a tie vote.

4. *Independence* - Each member of the Committee shall meet the independence standards established by the Board and any additional standards required of a member of an audit and risk committee under the Insurance Companies Act (Canada).
5. *Authority* - The Committee shall have unrestricted access to management and employees of the Organization. The Committee shall have the authority to retain and terminate external legal counsel, consultants or other advisors to assist it in fulfilling its responsibilities and to set and pay the compensation for these advisors without consulting or obtaining the approval of the Board or any officer of Organization. The Organization shall provide appropriate funding, as determined by the Committee, for the services of these advisors.
6. *Delegation* - The Committee may designate a sub-committee to review any matter within this Charter as the Committee deems appropriate.
7. *Meetings* - The Committee will meet at least four times per year and as required to carry out its Charter responsibilities, and will meet at the request of the Board or management to review any proposed matters as required. The Chairman of the Committee may call a meeting of the Committee at any time. A majority of the members shall constitute a quorum to transact business at the meeting.

Notice of a meeting of the Committee shall be given to each member of the Committee. Notice of each meeting of the Committee shall be given to the Chairman of the Board who shall be entitled to attend at the meeting. The Committee will however have the right to meet alone without the presence of officers and employees of the Organization. The Committee may, from time to time, invite such persons as it may see fit to attend its meeting and to take part in discussion and consideration of the affairs of the Committee.

8. *Secretary and Minutes* - The Corporate Secretary, his or her designate or any other person the Committee requests, shall act as secretary of Committee meetings. Minutes of Committee meetings shall be recorded and maintained by the Corporate Secretary and subsequently presented to the Committee for approval.
9. *Reporting* - The Chair shall report to the Board on material matters arising at Committee meetings and, where applicable, shall present the Committee's recommendations to the Board for its approval.
10. *Annual Work Plan and Schedule* - The Committee shall adopt a work plan and annual schedule of activities at its first meeting following its election each year.