

Audit & Risk Committee Charter



May 2017

| APPROVAL | |
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| Approved By: | Board of Directors |
| Approval Date: | May 3, 2017 |
| Effective Date: | May 3, 2017 |
| Responsible Person/Contact: | Alvin Sharma, CFO |
| VERSION CONTROL | |
| Reviewed by : Governance Committee | 2014 (biennially) Q2 |
| Approved by: Audit & Risk Committee | May 2, 2017 |
| Approved by: Board of Directors | May 3, 2017 |
| Next Review Date: | Q1 2018 |

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 Business Corporations Act (Ontario) and the Securities Act (Ontario) (the “Acts”).

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

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.

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 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 and work plans of the Finance, Actuarial and Internal Audit 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.

The Board has delegated to the Committee primary responsibility for certain Board activities, policies and oversight functions. In that respect, the Committee has authority to review, amend and approve the policies and items listed in the attached Appendix "A" (the "Delegated Authority"). Any action taken by the Committee under the Delegated Authority is deemed to have been approved by the Board. The Committee may, if it deems necessary, recommend that the Board review and approve any item for which it has Delegated Authority. On a quarterly basis the Committee will advise the Board what actions were taken under the Delegated Authority.

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 Acts.
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.

REFERENCE DOCUMENTS

Board of Directors Charter
Annual Work Plan

APPENDIX “A” DELEGATED AUTHORITY

The Board has delegated to the Audit and Risk Committee the authority to annually review, amend as necessary and approve the following:

- Committee Work Plan
- Dividend Policies
- Own Risk and Solvency Assessment (ORSA) Work Plan
- Business Continuity and Disaster Recovery Programs
- Cyber Security Controls
- Earthquake Exposure Risk Management Policy
- External Auditor’s year end Audit Plan including a Statement of Independence and fee estimate
- Payment of non audit fees of External Auditor
- Assessment of the overall performance of the External Auditor
- CFO, Chief Actuary and Chief of Internal Audit role descriptions
- Mandate, Budget and Objectives of the Finance Department
- Mandate, Budget and Objectives of the Actuarial Department
- Mandate, Budget and Objectives of the Internal Audit Department
- Three Year Internal Risk Assessment and Review Schedule
- Annual Internal Audit Plan