ICPEI HOLDINGS INC. (formerly EFH Holdings Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2021

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References to "Company" in this Management's Discussion and Analysis refer to ICPEI Holdings Inc., both now and in its predecessor forms.

Important Note:

The unaudited condensed consolidated interim financial statements for the quarters ended June 30, 2021, and 2020 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 unaudited condensed consolidated interim financial statements are based on IFRS and have been consistent with those of the previous financial year.

The following discussion should be read in conjunction with ICPEI Holdings Inc.'s unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021 and 2020, with the notes to the unaudited condensed consolidated interim financial statements, and with management's discussion and analysis (MD&A) and audited annual consolidated financial statements and accompanying notes for 2020. The financial data in this discussion has been prepared in accordance with IFRS and has been derived from the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021 and 2020.

The following commentary is current as of August 19, 2021. Additional information relating to ICPEI Holdings Inc. is available on SEDAR at www.sedar.com. Certain totals, subtotals and percentages may not reconcile due to rounding.

ICPEI Holdings Inc. 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. ICPEI Holdings Inc. analyzes performance based on underwriting 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 costs, operating expenses, and excludes any impact of change in discount rate on claims and corporate expenses. Loss ratio is net claims incurred divided by net earned premiums. Expense ratio is net acquisition costs plus operating expenses divided by net earned premiums. Combined ratio is the sum of loss ratio and expense ratio.

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 ICPEI Holdings Inc. These statements, which appear in this MD&A (including the documents incorporated by reference herein), generally can be identified by the use of forward-looking words such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "plan", "would", "should", "could", "trend", "predict", "likely", "potential" or "continue" or the negative thereof and similar variations.

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 ICPEI Holdings Inc. control, affect the operations, performance and results of ICPEI Holdings Inc. and its business, and could cause actual results to differ materially from the expectations expressed in any of this forward-looking information.

COMPANY OVERVIEW

ICPEI Holdings Inc. operates in the property and casualty ("P&C") insurance industry in Canada through its wholly owned subsidiary, The Insurance Company of Prince Edward Island ("ICPEI"), a provincially regulated P&C insurance company. On April 1, 2021, the Company acquired the remaining 25% ownership of ICPEI that it did not already own.

After receiving approval from its shareholders on July 15, 2021, shareholders of the Company changed its name to ICPEI Holdings Inc. from EFH Holdings Inc. Earlier, the Company's name had changed from Echelon Financial Holdings Inc. to EFH Holdings Inc. after receiving approval from shareholders on December 11, 2020.

The Company's stock was delisted on the Toronto Stock Exchange and listed on the TSX Venture Exchange on December 23, 2020. The stock symbol will be changed from EFH to ICPH effective August 23, 2021 on the TSX Venture Exchange as a result of the name change.

ICPEI writes business in the Maritimes provinces and in Q4 2020 began to write business in Quebec. Additionally in May 2021, ICPEI was granted a license to write commercial business in Ontario.

BASIS OF PRESENTATION

This MD&A is based on information in the audited consolidated financial statements and accompanying notes there to for the year ended December 31, 2020 and the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021.

SECOND QUARTER HIGHLIGHTS

- Net income per share of $0.14 per share this quarter compared to a net income of $0.05 per share in the second quarter of 2020.
- A combined ratio of 81.2% this quarter compared to 92.1% in the second quarter of 2020.
- A 54% increase in Direct Written Premiums over the same period in 2020 to $18.1 million. Personal lines increased by 28% and commercial lines increased by 104% in this period when compared to the same period last year.
- Successful completion of purchase of 25% non-controlling interest making ICPEI a 100% subsidiary.
- Issued 2,735,600 common shares of the Company through a non-brokered private placement at a price of $1.42 per share for $3.9 million.
- ICPEI was granted a license and began to write commercial business in Ontario in May 2021.
- Closing book value per share of $1.63 compared to $1.65 at the end of the first quarter of 2021. The slight decrease from the last quarter is the result of decrease of $0.17 book value per share from purchase of non-controlling interest, issuance of common shares, offset by growth in equity from comprehensive income in the second quarter of 2021.

The financial information below compares three months and six months ended June 30, 2021 results with the same period in 2020.

	3 months ended June 30		6 months ended June 30	
($ THOUSANDS except per share amounts)	**2021**	**2020**	**2021**	**2020**
Direct written and assumed premiums	18,127	11,793	29,501	19,830
Net earned premiums	12,892	8,971	23,595	17,430
Net claims incurred	5,457	4,769	10,861	9,155
Net acquisition costs	3,171	2,194	5,751	4,084
Operating expenses	1,843	1,297	3,529	2,634
Corporate expense	158	253	394	593
Underwriting income [1]	2,421	711	3,454	1,557
Investment income	556	987	1,230	966
Impact of change in discount rate on claims	(5)	(131)	(10)	-
Net income before income taxes	2,814	1,314	4,280	1,930
Income tax expense	778	442	1,155	610
Net income	2,036	872	3,125	1,320
Net income attributed to:				
Shareholders of the Company	2,036	624	2,809	954
Non-controlling interest	-	248	316	366
Earnings per share				
Basic	$0.14	$0.05	$0.21	$0.08
Diluted	$0.14	$0.05	$0.21	$0.08

[1] Underwriting income is defined as net earned premiums less net claims incurred, net acquisition costs, operating expenses, and excludes any impact of change in discount rate on claims and corporate expenses.

Direct Written and Net Earned Premiums

In the second quarter of 2021, direct written premiums increased by $6.3 million compared to the same period in prior year. The increase was largely due to the new business written in Commercial and Personal Lines in Quebec in the second quarter of 2021 of $4.7 million that was not there in Q2 2020. Also new business of $0.1 million was written in Ontario as commercial license was granted in May 2021. Net earned premiums increased by $3.9 million in the second quarter of 2021 compared to the same period last year. For the six months ended June 30, 2021, direct written premiums increased by $9.7 million compared to the same period last year while net earned premiums increased by $6.2 million in comparison.

Claims Incurred

For the quarter ended June 30, 2021, net claims expense was $0.7 million higher than same period in the prior year and for the six months ended June 30, net claims expense was $1.7 million higher than the same period last year. This increase has been largely due to premium growth.

Acquisition Costs

Acquisition costs, which consist mainly of commissions, premium taxes and general expenses related to policy acquisitions, increased by $1.0 million in the quarter ended June 30, 2021 compared to same period last year. For the year ended June 30, 2021, acquisition costs increased by $1.7 million compared to 2020. This increase was a result of higher premium volume for the Company and higher accrual for broker profit commissions.

Operating Expenses

Operating expenses were $0.5 million higher in the second quarter ended June 30, 2021 and $0.9 million higher for the six months ended June 30, 2021 when compared to the same periods last year, however, operating expenses ratio to earned premium has decreased due to growth in business.

Underwriting Income

Underwriting Income of $2.4 million was recorded in the second quarter of 2021 compared to an underwriting income of $0.7 million in the same period in 2020. For the six months ended June 30, underwriting income increased to $3.5 million in 2021 from $1.6 million in 2020. The improvement in results is attributed to higher revenue as the Company grew its commercial and personal business in Quebec along with writing new business in Ontario, while also experiencing fewer large losses compared to last year.

Impact of Change in Discount Rate on Claims

The discount rate used to discount future claims payment is based on the expected yield on investments. The discount rate used in the quarter ended June 30, 2021 was 1.73%, which is marginally lower than the 1.75% used for the year ended December 31, 2020.

Investment Income

Investment income was $0.4 million lower in the second quarter when compared to the same period last year. This was largely due to $0.3 million decrease in the change in Fair Value of Preferred Shares, which is recorded to income, compared to last year. For the six months ended June 30, investment income, however, recorded a $0.3 million increase compared to same period last year because of the substantial increase in the change in Fair Value of Preferred Share this year over last year. Also no impairment was recognized in the six months ended June 30, 2021 compared to last year when $0.1 million impairment was recognized.

Net Income before Income Taxes

Net income before taxes was $2.8 million in the second quarter as compared to income of $1.3 million in the second quarter of 2020. For the six months ended June 30, net income before income taxes increased to $4.3 million from $1.9 million in the same period last year. The improvements were largely a result of improvements in underwriting results.

Income Taxes

For the quarter ended June 30, 2021, the total Income tax expense was $0.8 million as compared to $0.4 million for the same period last year. For six months ended June 30, the income tax expense was $1.2 million compared to $0.6 million last year. See effective tax rates note 10 to the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021 and 2020.

SEGMENTED FINANCIAL INFORMATION

The segmented results below exclude corporate expenses and the impact of change in discount rate on claims.

Personal Lines	**3 months ended June 30**				**6 months ended June 30**			
($THOUSANDS)	***2021***	***2020***	***$ Variance***	***% Variance***	***2021***	***2020***	***$ Variance***	***% Variance***
Direct written premiums	10,069	7,845	2,224	28%	15,838	13,136	2,702	21%
Net earned premiums	7,199	6,229	970	16%	13,991	12,205	1,786	15%
Total net claims	3,077	2,968	(109)	(4)%	6,946	5,819	(1,127)	(19)%
Loss ratio	42.7%	47.6%			49.6%	47.7%		
Expense ratio	44.6%	38.2%			42.4%	37.3%		
Combined ratio	87.3%	85.8%			92.0%	85.0%		
Underwriting income	911	884	27	3%	1,119	1,829	(710)	(39)%

For the three months ended June 30, 2021, underwriting income in Personal Lines remained steady at $0.9 million in comparison to last year but recorded a $0.7 million decrease for the six months ended June 30, 2021 when compared to last year. Direct written premiums increased by 28% in the three months and 21% for the six months ended June 30, 2020 compared to same periods in prior year. This increase is largely attributable to new business written in Personal Lines in Quebec. The lower loss ratio for the three months ended June 30, 2021 was a result of no large losses in Personal Lines this quarter compared to the same quarter last year.

Commercial Lines	**3 months ended June 30**				**6 months ended June 30**			
($THOUSANDS)	***2021***	***2020***	***$ Variance***	***% Variance***	***2021***	***2020***	***$ Variance***	***% Variance***
Direct written premiums	8,058	3,948	4,110	104%	13,663	6,694	6,969	104%
Net earned premiums	5,693	2,742	2,951	108%	9,604	5,225	4,379	84%
Total net claims	2,380	1,801	(579)	(32)%	3,915	3,336	(579)	(17)%
Loss ratio	41.8%	65.7%			40.8%	63.8%		
Expense ratio	31.7%	40.6%			34.9%	41.4%		
Combined ratio	73.5%	106.3%			75.7%	105.2%		
Underwriting income	1,510	(173)	1,683	973%	2,335	(272)	2,607	958%

Direct written premiums increased by 104% both for the quarter ended as well as six months ended June 30 this year compared to same period last year as commercial business in Quebec grew. Commercial Lines recorded an underwriting income of $1.5 million for the three months ended June 30, 2021 compared to an underwriting loss of $0.2 million in the same period last year. For the six months ended June 30, 2020, commercial lines recorded a $2.3 million underwriting income compared to an underwriting loss of $0.3 million. The improvement in the results was due to the growing commercial business in Quebec and new business written in Ontario when compared to the same period last year. Loss ratio for the quarter ended and six months ended June 30 was lower than the comparable period last year due to fewer large losses.

SUMMARY OF QUARTERLY RESULTS

The following quarterly financial summary has been restated to exclude Discontinued Operations in 2019 except for investment income, net income, earnings per share, and book value per share information.

A summary of the Company's last eight quarters is as follows:

($ THOUSANDS except per share amounts)

	2021		2020				2019	
	Q2	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Direct written premiums	18,127	11,374	11,619	11,739	11,793	8,037	8,629	10,271
Net earned premiums	12,892	10,703	10,141	9,441	8,971	8,459	8,573	8,362
Underwriting income (loss)	2,421	1,033	518	431	711	846	(811)	(1,286)
Impact of change in net claims discount rate	(5)	(5)	(241)	(101)	(131)	131	(71)	(78)
Investment Income (Loss)	556	674	783	3,046	987	(21)	1,083	874
Net Income (Loss)	2,036	1,089	469	(2,759)	872	448	(530)	(673)
Earnings (loss) per share								
(a) Basic	$0.14	$0.06	$0.02	$(0.25)	$0.05	$0.03	($0.03)	($0.04)
(b) Diluted	$0.14	$0.06	$0.02	$(0.25)	$0.05	$0.03	($0.01)	($0.04)
Book value per share (1) (2)	$1.63	$1.65	$1.59	$1.55	$7.52	$7.29	$7.45	$7.46

(1) In Q2 - 2020, the Company paid a dividend of $8.80 per share to shareholders.
(2) In Q3 - 2020, the Company paid a dividend of $5.60 per share to shareholders and loss on discontinued operations of $0.49 per share.

The quarterly results reflect the seasonality of the Company's business. Typically, quarter one and quarter four premium written is lower than quarter two and quarter three. However, underwriting results may vary significantly from quarter to quarter.

BALANCE SHEET ANALYSIS

The Balance Sheet analysis that follows should be read in conjunction with the unaudited condensed consolidated interim financial statements for the quarter ended June 30, 2021, 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, 2021	As at December 31, 2020
Cash and short-term deposits	8,183	11,859
Investments	52,729	44,582
Total assets	88,938	81,871
Provision for unpaid claims	30,502	29,668
Unearned premiums	27,279	22,571
Total equity attributable to shareholders	24,053	19,103
Book value per share (1)	$1.63	$1.59

(1) Shareholders' equity divided by the number of shares issued and outstanding

Investments

ICPEI Holdings Inc. has an investment policy that seeks to provide a stable income base to support ICPEI Holdings Inc.'s liabilities in line with its risk appetite and tolerance. In addition to this risk-return analysis, the chosen asset mix also considers the amount of regulatory capital that is required.

ICPEI Holdings Inc.'s investment portfolio is invested in accordance with its investment policy. Fair values for most investments are determined by reference to observable market data.

Fair Value of Investments

The following table sets forth ICPEI Holdings Inc.'s invested assets as at June 30, 2021 and December 31, 2020.

($ THOUSANDS)	**Fair values**			
Available for sale	**As at June 30, 2021**	**% of Total**	**As at December 31, 2020**	**% of Total**
Fixed income				
Canadian				
Federal	4,932		6,704	
Provincial	7,773		5,163	
Municipal	107		110	
Corporate	10,037		6,747	
Foreign				
Federal	175		-	
Corporate	387		-	
Total fixed income	23,411	38.4%	18,724	33.2%
Corporate value pooled fund	7,157		6,481	
Money market pooled funds	1,658		852	
Short-term fixed income and mortgage pooled funds	14,373		14,439	
Short-term and floating rate pooled fund	2,000		-	
Total pooled funds	25,188	41.4%	21,772	38.6%
Common shares				
Canadian	416		339	
Total common shares	416	0.7%	339	0.6%
Total available for sale	49,015		40,835	
Fair value through profit or loss				
Preferred shares	3,714		3,747	
Total preferred shares	3,714	6.1%	3,747	6.6%
Total investments	52,729	86.6%	44,582	79.0%
Cash and short-term deposits	8,183	13.4%	11,859	21.0%
Total investments including cash and short-term deposits	60,912	100.0%	56,441	100.0%

Impairment Assets and Provisions for Losses

ICPEI Holdings Inc. 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.

A gross unrealized loss of $0.1 million on Available for Sale (AFS) investments at June 30, 2021 (December 31, 2020 – $.03 million) is recorded, net of tax, in the amount of $0.1 million (December 31, 2020 – $.02 million) in Accumulated Other Comprehensive Income.

Management has reviewed currently available information regarding those financial assets where estimated fair values are less than amortized cost. For those investments that are considered impaired, the Company records the difference between the amortized cost of the financial assets and its fair value as an impairment, which reduces investment income recorded in the year.

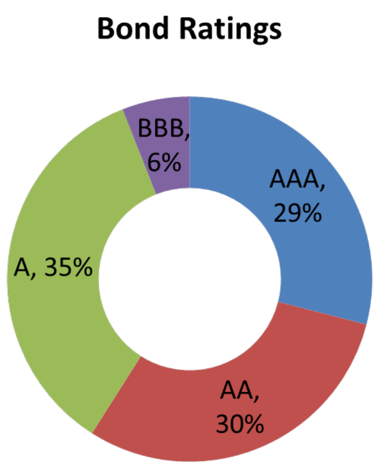
No impairments were recognized for the six months ended June 30, 2021 (June 30, 2020 - $0.1 million).

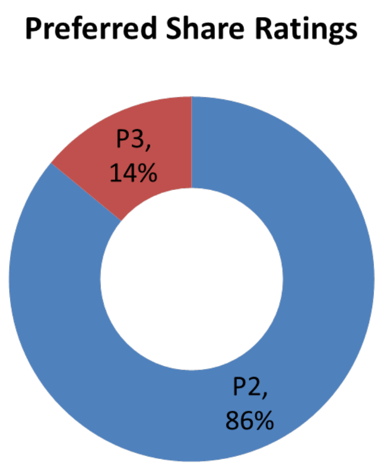
Fixed Income Securities

ICPEI Holdings Inc. 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. ICPEI Holdings Inc.'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.

ICPEI Holdings Inc.'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 2.7 years.

The charts below show ICPEI Holdings Inc.'s fixed income and preferred share portfolios by credit quality as at June 30, 2021:





Common Share Portfolio

RBC Wealth Management manages the small Common Share portfolio of $0.4 million held in blue chip Canadian stocks.

Recoverable from Reinsurers

($ THOUSANDS)	As at June 30, 2021	As at December 31, 2020
Reinsurers' share of unpaid claims	2,847	3,683
Reinsurers' share of unearned premiums	690	799
Total	3,537	4,482

As at June 30, 2021, the amount recoverable from reinsurers decreased by $0.9 million, down to $3.5 million from $4.5 million as at December 31, 2020. Reinsurers' share of unpaid claims decreased by $0.8 million as there were claims settled during the year. All reinsurers, with balances due, have a rating of A– or above as determined by A.M. Best.

Accounts Receivable

($ THOUSANDS)	As at June 30, 2021	As at December 31, 2020
Agents and brokers	14,780	12,039
Total	14,780	12,039

Provision for Unpaid Claims

ICPEI Holdings Inc. 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 ICPEI Holdings Inc. Provision for unpaid claims consists of the aggregate amount of individual case reserves established and management's estimate of claims incurred but not reported and provision for adverse development. Provisions for unpaid claims are discounted to present value. The Company determines the discount rate based on the expected return on its investment portfolio of assets with appropriate assumptions for interest rates relating to reinvestment of maturing investments. The discount rates used for June 30, 2021 and December 30, 2020 for ICPEI are as below:

	As at June 30, 2021	As at December 31, 2020
ICPEI	1.73%	1.75%

Share Capital

On April 1, 2021, the Company issued 2,735,600 common shares. As of August 19, 2021, there were 14,742,158 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 ICPEI Holding Inc.'s financial commitments and obligations as they come due. ICPEI Holdings Inc. 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.

ICPEI Holdings Inc. is primarily a holding company and, as such, has limited direct operations of its own. Its principal assets are cash and ownership of ICPEI. Selected balance sheet items of ICPEI Holdings Inc. as at June 30, 2021 are as follows:

($ THOUSANDS)	
Cash and short-term deposits	$2,277
Investment in Short-term Fixed Income Pool Fund	$2,000
Investment in Insurance Subsidiary	$22,575
Other assets	$851
Liabilities	$3,650

Accordingly, its future cash flows depend on its investment income and the availability of dividends and other statutorily permissible distributions from ICPEI. 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 subsidiary is domiciled, which subject the insurance subsidiary to significant regulatory restrictions. These laws and regulations require, among other things, that the insurance subsidiary maintain minimum solvency requirements and may also limit the amount of dividends that the insurance subsidiary can pay to its parent.

The Minimum Capital Test ("MCT") ratio of ICPEI as at June 30, 2021 was 322%, which comfortably exceeds the supervisory target of 150%.

Liabilities included $3,000 bank term loan taken out on April 1, 2021 with repayment terms of $300 per year for the next two years and the remainder at maturity on March 31, 2024.

ICPEI Holdings Inc. also has a $2,000 revolving credit line that has not been drawn.

COVID-19 PANDEMIC

Due to the strict restrictions on activity in early spring combined with rapid gains in vaccinations, the numbers of COVID-19 cases have gradually decreased and this should pave the way for the opening up of the Canadian economy in the second half of 2021. However, the risk of COVID-19 still remains but varies between and within communities and regions. Currently, COVID-19 did not have any significant impact on the results of the Company, but the impact remains uncertain as the pandemic evolves.

ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with IFRS and in compliance with IAS 34 "Interim Financial Reporting." Please refer to note 4 to unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021.

CONTROLS AND PROCEDURES

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) *controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and*

(ii) *a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

For a description of ICPEI Holdings Inc.'s accounting policies, which are on an IFRS basis, refer to note 4 to the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021. A description of ICPEI Holdings Inc.'s critical accounting estimates and assumptions is also detailed in note 5 to unaudited condensed consolidated interim financial statements for the six months ended June 30, 2021.

ADDITIONAL INFORMATION

Additional information relating to ICPEI Holdings Inc., including the annual financial statements for the year ended December 31, 2020 and accompanying MD&A, is available on the Company's SEDAR profile at www.sedar.com.