ICPEI Holdings Inc.

Management's Discussion and Analysis

Annual report

For the twelve months ended December 31, 2021

ICPEI

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the twelve months ended December 31, 2021

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 audited consolidated financial statements for the year ended December 31, 2021, and 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (”IASB”). The policies applied in the audited consolidated 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 audited consolidated financial statements and the related notes. The following commentary is current as of March 3, 2022. 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. The Company 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. Return on Equity (“ROE”) is based on net income on continued operations divided by average total equity. Book value per share (“BVPS”) is calculated by dividing total equity by the number of common shares outstanding.

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 the Company. 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.’s 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.

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COMPANY OVERVIEW

ICPEI Holdings Inc. operates in the Canadian property and casualty ("P&C") insurance industry through its wholly owned subsidiary, The Insurance Company of Prince Edward Island ("ICPEI"), a provincially regulated P&C insurance company. Based in Charlottetown, the Insurance Company of Prince Edward Island (ICPEI) offers home, auto and commercial insurance solutions sold exclusively through a network of brokers and managing general agent. Since 1987, ICPEI has established a longstanding record of underwriting profitability, rooted in its disciplined approach to risk selection. Today, ICPEI has grown into the largest auto and home insurer headquartered in the Maritimes, and continues to take pride in designing affordable insurance solutions for people in new markets.

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 was changed from Echelon Financial Holdings Inc. to EFH Holdings Inc. after receiving approval from shareholders on December 11, 2020.

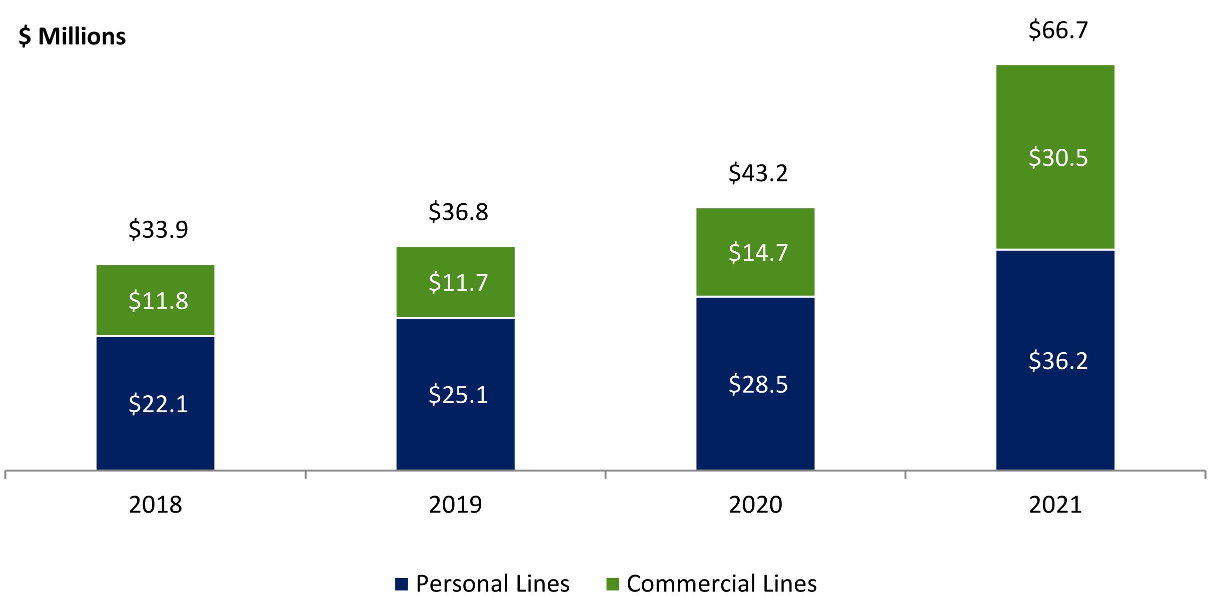
The Company's stock was delisted on the Toronto Stock Exchange and listed on the TSX Venture Exchange on December 23, 2020. The stock symbol has been changed from EFH to ICPH as a result of the name change.

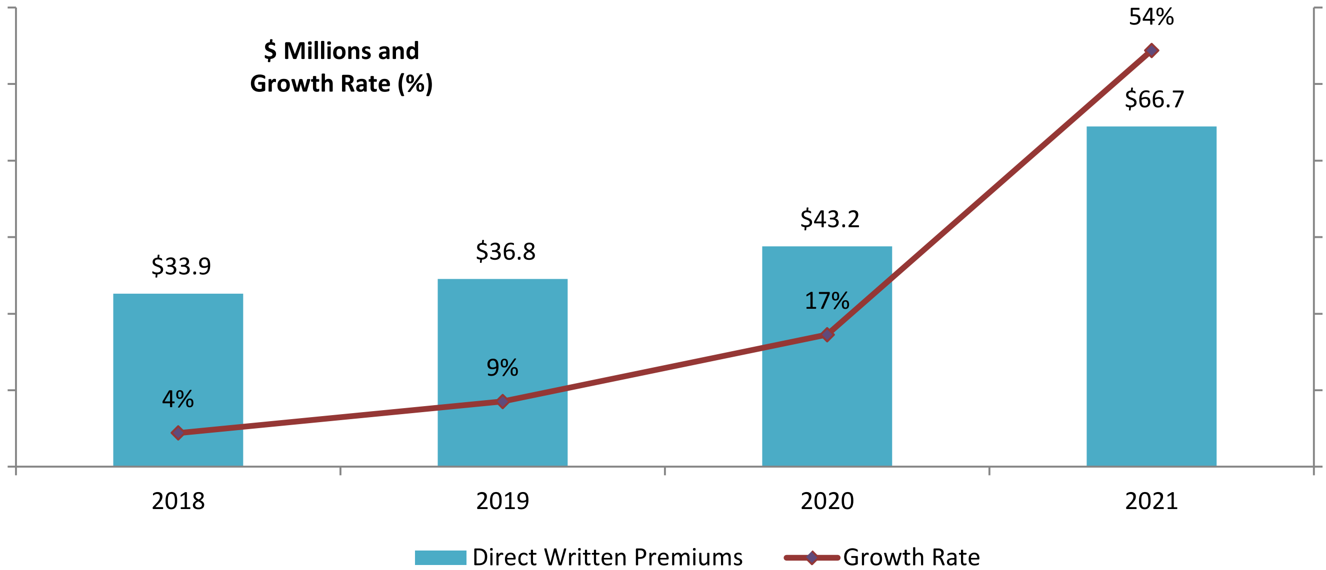
ICPEI writes business in the Maritimes provinces and in Q4 2020 began to write business in Quebec. In May 2021, ICPEI was granted a license to write commercial business in Ontario. In January 2022, ICPEI was granted a license to write commercial business in Newfoundland and has also applied for a license to write commercial business in Alberta.

The Company and its wholly owned subsidiary benefit from an experienced management team, a strong network of brokers and partners, and a devoted and loyal team of employees.

We plan to continue growing our business in the rest of Canada organically and through strategic partnerships. Our strategy is to focus more on the growth of the less regulated commercial business and achieving a balance between personal and commercial lines of business.

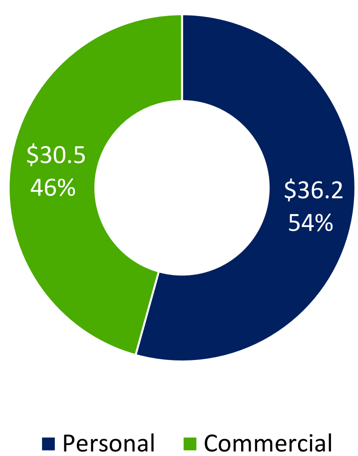
Direct Written Premiums



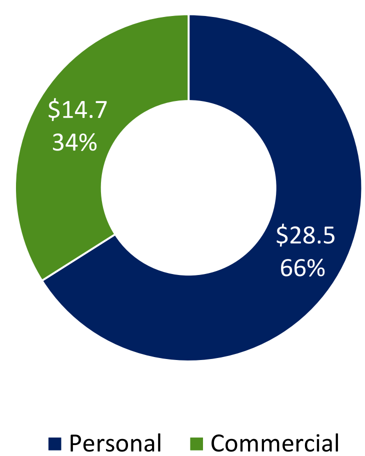


The following charts below provide segmentation of the Company's business with respect to Personal and Commercial Lines as well as within provinces over the past two years. Although Personal Lines comprises the majority of the Company's Direct Written Premiums, premium growth was substantial in Commercial Lines in 2021, demonstrated by the rapid growth in Quebec.

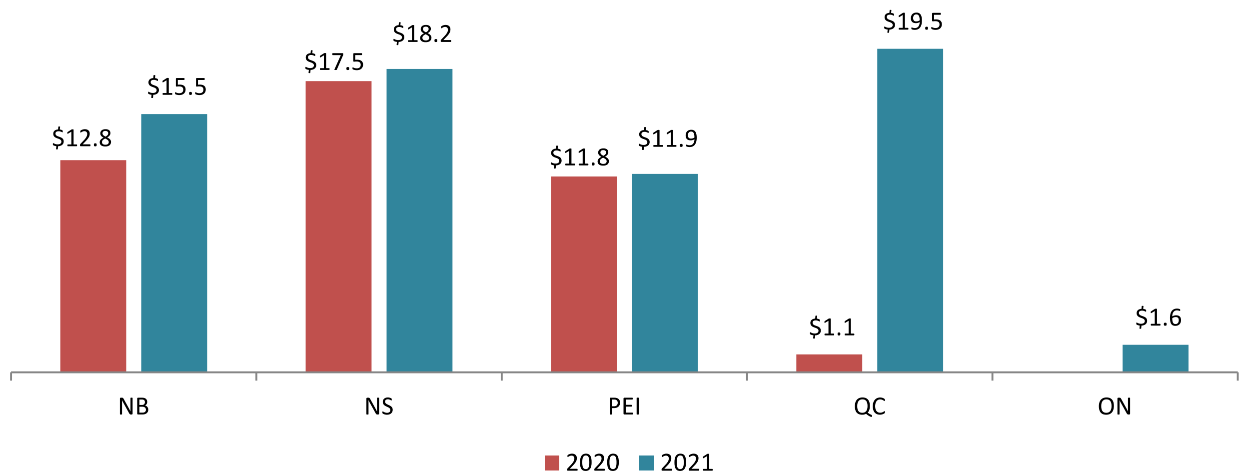
Direct Written Premiums ($ millions)
By Line of Business
2021



Direct Written Premiums ($ millions)
By Line of Business
2020



Direct Written Premiums ($ millions)
By Region
2021 and 2020



CONSOLIDATED PERFORMANCE

This MD&A is based on information in the audited consolidated financial statements and accompanying notes thereto for the year ended December 31, 2021 and 2020.

FOURTH QUARTER AND FULL YEAR 2021 HIGHLIGHTS

- Premium written grew 54% for 2021 and 61% for Q4 2021. The growth is in line with our strategy to expand geographically in Quebec and to focus more on the commercial line of business.
- Underwriting income of $7.6 million for 2021 and $2.7 million for Q4 2021 increased by 205% and 429%, respectively, compared to the same periods in 2020. Our growth in commercial business is contributing the majority of our underwriting income.
- EPS $0.45 for 2021 and $0.16 for Q4 2021, increase of 29% and 700%, respectively, compared to the same periods in 2020.
- ROE of 27.5% for 2021 and BVPS growth of 16% to $1.84 in 2021.
- Net income from continued operations of $6.7 million for 2021 compared to $4.9 million for 2020 and $2.4 million in Q4 2021 compared to $0.5 million in Q4 2020.
- Combined ratio of 85.7% in 2021 improved from 93.2% in 2020 and 82.7% in Q4 2021 improved from 94.9% in Q4 2020.

(in thousands of Canadian dollars, except per share amounts and as otherwise noted)

QUARTER AND YEAR ENDED DECEMBER 31, 2021 COMPARED TO QUARTER AND YEAR ENDED DECEMBER 31, 2020

The financial information below compares three and twelve months ended December 31, 2021 results with the same periods in 2020.

	3 months ended December 31		12 months ended December 31	
	2021	**2020**	**2021**	**2020**
Direct written and assumed premiums	18,753	11,619	66,676	43,188
Net earned premiums	15,891	10,141	53,448	37,012
Net claims incurred	6,826	5,423	24,281	19,913
Net acquisition costs	4,114	2,428	13,790	8,918
Operating expenses(1)	2,209	1,772	7,742	5,675
Corporate expense(1)	316	558	1,149	1,365
Underwriting income (2)	2,742	518	7,635	2,506
Investment income	798	783	2,561	4,795
Impact of change in discount rate on claims	121	(241)	186	(342)
Net income before income taxes	3,345	502	9,233	5,594
Income tax expense	928	33	2,558	698
Net income on continued operations	2,417	469	6,675	4,896
Net loss on discontinued operations	-	-	-	(5,866)
Net income (loss)	2,417	469	6,675	(970)
Net income (loss) attributed to:				
Shareholders of the Company – continued operations	2,417	272	6,359	4,149
Shareholders of the Company – discontinued operations	-	-	-	(5,866)
Non-controlling interest	-	197	316	747
Earnings per share (EPS)				
Continued operations				
Basic	$0.16	$0.02	$0.45	$0.35
Diluted	$0.16	$0.02	$0.45	$0.35
Discontinued operations				
Basic	-	-	-	$(0.49)
Diluted	-	-	-	$(0.49)
Book value per share (BVPS)(3)			$1.84	$1.59
Return on Equity (ROE)(4)			27.5%	7.6%

(1) Sum of Operating expenses and Corporate expense equal Operating Costs on Consolidated Statements of Income and Comprehensive Income.

(2) 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.

(3) Book value per share is calculated by dividing total equity by the number of common shares outstanding.

(4) Return on Equity is net income on continued operations divided by average total equity.

Direct Written and Net Earned Premiums

In the fourth quarter of 2021, direct written premiums increased by $7.1 million compared to the same period in prior year. The increase was largely due to the growth in premiums written in Commercial and Personal Lines in Quebec in the fourth quarter of 2021 when compared to the same period last year. Also new business was written in Ontario in the Commercial Lines in the fourth quarter of 2021 that was not there in Q4 2020. For the year ended December 31, 2021 direct written premiums increased by $23.5 million compared to the same period last year. Quebec and Ontario combined contributed $19.8 million increase in direct written premium for the year ended December 31, 2021 compared to 2020. Net earned premiums increased by $5.8 million and $16.4 million in the fourth quarter of 2021 and for the year ended December 31, 2021 respectively, compared to the same period last year.

Claims Incurred

For the quarter ended December 31, 2021, net claims expense was $1.4 million higher than same period in the prior year while for the year ended December 31, 2021 net claims expense was $4.4 million higher than the same period last year. The increase has largely been due to premium growth with higher frequency of claims.

Acquisition Costs

Acquisition costs, which consist mainly of commissions, premium taxes and general expenses related to policy acquisitions, increased by $1.7 million in the quarter ended December 31, 2021 compared to same period last year. For the year ended December 31, acquisition costs in 2021 increased by $4.9 million compared to 2020. This increase was a result of higher premium volume for the Company, higher commission rates for commercial lines, and higher broker profit commissions.

Operating Expenses

Operating expenses were $0.4 million higher in the fourth quarter ended December 31, 2021 and $2.1 million higher for the year ended December 31, 2021 when compared to the same periods last year largely due to increased costs related to salaries, depreciation and IT expenses.

Underwriting Income

Underwriting Income of $2.7 million was recorded in the fourth quarter of 2021 compared to an underwriting income of $0.5 million in the same period in 2020. For the year ended December 31, 2021, the underwriting income was $7.6 million while the underwriting income was $2.5 million in the same period last year. The improvement in results is attributed to higher revenue as the Company grew significantly in its commercial and personal business in Quebec, while also experiencing a lower loss ratio in the commercial line of business 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 for the year ended December 31, 2021 was 2.09%, which is higher than the 1.75% used for the year ended December 31, 2020 as yield on investments increased.

Investment Income

Investment income was largely the same at $0.8 million in the fourth quarter compared to the same period last year while for the year ended December 31, investment income was $2.2 million lower compared to the same period last year. This is largely because in prior year, the Company sold a majority of the common shares portfolio to pay special dividends to the shareholders after the European operations litigation settlement. The disposition triggered all the gains previously unrecognized in income.

(in thousands of Canadian dollars, except per share amounts and as otherwise noted)

Net Income before Income Taxes

Net income before taxes was $3.3 million in the fourth quarter as compared to $0.5 million in the fourth quarter of 2020. For the year ended December 31, 2021 net income before taxes recorded $9.2 million compared to $5.6 million in the same period in 2020. The improvements were largely a result of improvements in underwriting income.

Income Taxes

For the quarter ended December 31, 2021, the total Income tax expense was $0.9 million as compared to a tax expense of $0.03 million for the same period last year. For year ended December 31, 2021 the income tax expense was $2.6 million as compared to a tax expense of $0.7 million in the same period last year. See Income Taxes in note 15 to the audited consolidated financial statements for the twelve months ended December 31, 2021

SEGMENT PERFORMANCE

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

Personal Lines	**3 months ended December 31**				**12 months ended December 31**			
	2021	***2020***	***$ Variance***	***% Variance***	***2021***	***2020***	***$ Variance***	***% Variance***
Direct written premiums	9,098	6,976	2,122	30%	36,216	28,512	7,704	27%
Net earned premiums	9,007	6,840	2,167	32%	30,962	25,594	5,368	21%
Total net claims	4,073	2,817	(1,256)	45%	15,468	12,675	(2,793)	22%
Loss ratio	45.2%	41.2%			50.0%	49.5%		
Expense ratio	38.6%	40.4%			41.7%	38.9%		
Combined ratio	83.8%	81.6%			91.7%	88.4%		
Underwriting income	1,458	1,256	202	16%	2,571	2,952	(381)	(13)%

For the three months ended December 31, 2021, underwriting income in Personal Lines improved $0.2 million over the same period in 2020 because of growth in earned premiums, but recorded a $0.4 million decrease for the year ended December 31, 2021 when compared to last year as the Company experienced higher losses and increased expense ratio. Direct written premiums increased by 30% in the three months and 27% for the year ended December 31, 2021 compared to same periods in prior year. This increase is largely attributable to increased business growth in Quebec.

Commercial Lines	**3 months ended December 31**				**12 months ended December 31**			
	2021	***2020***	***$ Variance***	***% Variance***	***2021***	***2020***	***$ Variance***	***% Variance***
Direct written premiums	9,655	4,643	5,012	108%	30,460	14,676	15,784	108%
Net earned premiums	6,884	3,301	3,583	109%	22,486	11,418	11,068	97%
Total net claims	2,753	2,606	(147)	6%	8,813	7,238	(1,575)	22%
Loss ratio	40.0%	78.9%			39.2%	63.4%		
Expense ratio	41.4%	43.4%			38.3%	40.5%		
Combined ratio	81.4%	122.3%			77.5%	103.9%		
Underwriting income (loss)	1,284	(738)	2,022	274%	5,064	(446)	5,510	1,235%

Direct written premiums increased by 108% for both the three months and for the year ended December 31, 2021 as commercial business in both Quebec and Ontario grew. An increase of $14.3 million in Quebec and Ontario combined was seen in direct written premiums in Commercial Lines for the year ended December 31, 2021 when compared to last year. Commercial Lines recorded an increase in underwriting income of $2.0 million and $5.5 million for the three months and for the year ended December 31, 2021 respectively, over last year. The improvement in results was due to the growing commercial business in both Quebec and Ontario while lower loss and expense ratios added to the improvement in underwriting results of the Company.

(in thousands of Canadian dollars, except per share amounts and as otherwise noted)

SUMMARY OF QUARTERLY RESULTS

The following quarterly financial summary has been restated to exclude Discontinued Operations 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:

	2021				2020			
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Direct written and assumed premiums	18,753	18,422	18,127	11,374	11,619	11,739	11,793	8,037
Net earned premiums	15,891	13,962	12,892	10,703	10,141	9,441	8,971	8,459
Underwriting income	2,742	1,439	2,421	1,033	518	431	711	846
Impact of change in net claims discount rate	121	75	(5)	(5)	(241)	(101)	(131)	131
Investment Income	798	533	556	674	783	3,046	987	(21)
Net Income (Loss)	2,417	1,133	2,036	1,089	469	(2,759)[1]	872	448
Earnings (loss) per share								
(a) Basic	$0.16	$0.08	$0.14	$0.06	$0.02	$(0.25)[1]	$0.05	$0.03
(b) Diluted	$0.16	$0.08	$0.14	$0.06	$0.02	$(0.25)[1]	$0.05	$0.03
Book value per share	$1.84	$1.71	$1.63	$1.65	$1.59	$1.55[2]	$7.52	$7.29

(1) In Q3 - 2020, the Company had loss on discontinued operations of $5.9 million or loss of $0.49 per share.
(2) Paid a dividend of $5.60 per share to shareholders.

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 audited consolidated financial statements for the year ended December 31, 2021, and notes therein.

Balance Sheet Highlights

Selected balance sheet highlights and book value per share details are as follows:

	As at December 31, 2021	**As at December 31, 2020**
Cash and cash equivalents	16,485	11,859
Investments	54,518	44,582
Total assets	107,463	81,871
Provision for unpaid claims	34,430	29,668
Unearned premiums	33,339	22,571
Total equity attributable to shareholders	27,152	19,103
Book value per share [1]	$1.84	$1.59

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

(in thousands of Canadian dollars, except per share amounts and as otherwise noted)

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 notes

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

	Fair values			
Available for sale	**As at December 31, 2021**	**% of Total**	**As at December 31, 2020**	**% of Total**
Fixed income				
Canadian				
Federal	6,256		6,704	
Provincial	5,543		5,163	
Municipal	102		110	
Corporate	12,364		6,747	
Foreign				
Corporate	626		-	
Total fixed income	24,891	35.0%	18,724	33.2%
Corporate value pooled fund	7,383		6,481	
Money market pooled funds	326		852	
Short-term fixed income and mortgage pooled funds	14,350		14,439	
Short-term and floating rate pooled fund	2,000			
Total pooled funds	24,059	33.9%	21,772	38.6%
Common shares				
Canadian	452		339	
Canadian - ETF	812		-	
Total common shares	1,264	1.8%	339	0.6%
Total available for sale	50,214		40,835	
Fair value through profit or loss				
Preferred shares	3,527		3,747	
Preferred shares - ETF	777		-	
Total preferred shares	4,304	6.1%	3,747	6.6%
Total investments	54,518	76.8%	44,582	79.0%
Cash and cash equivalents	16,485	23.2%	11,859	21.0%
Total investments including cash and cash equivalents	71,003	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 $0.2 million on Available for Sale (AFS) investments at December 31, 2021 (December 31, 2020 – $0.02 million) is recorded, net of tax, in the amount of $0.1 million (December 31, 2020 – $0.02 million) in Accumulated Other Comprehensive Income, primarily due to the impact of higher government bond yields on the Company's fixed income portfolio.

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.

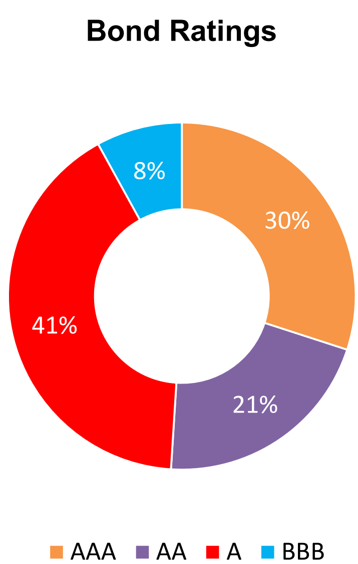
No impairments on AFS investments were recognized for the year ended December 31, 2021 and 2020.

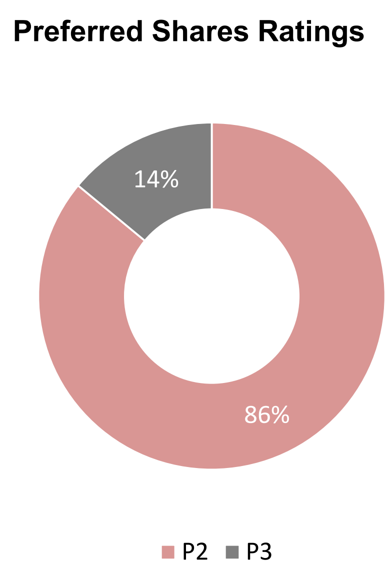
Fixed Income Securities

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. 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. bond portfolio has a high overall credit quality with an average rating of AA. The preferred shares have an average rating of P2. The average duration of the bond portfolio is 3.0 years.

The charts below show ICPEI Holdings Inc. fixed income and preferred share portfolios by credit quality as at December 31, 2021:





Common Share Portfolio

The portfolio is comprised of a small Common Share portfolio of $0.5 million held in blue chip Canadian stocks managed by RBC Wealth Management and $0.8 million invested in an exchange traded TSX 60 index fund.

(in thousands of Canadian dollars, except per share amounts and as otherwise noted)

Recoverable from Reinsurers

	As at December 31, 2021	As at December 31, 2020
Reinsurers' share of unpaid claims	4,230	3,683
Reinsurers' share of unearned premiums	1,050	799
Total	5,280	4,482

As at December 31, 2021, the amount recoverable from reinsurers increased by $0.8 million, up to $5.3 million from $4.5 million as at December 31, 2020. All reinsurers, with balances due, have a rating of A or above as determined by A.M. Best.

Accounts Receivable

	As at December 31, 2021	As at December 31, 2020
Agents and brokers	19,815	12,039
Total	19,815	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 December 31, 2021 and December 31, 2020 for ICPEI are as below:

	As at December 31, 2021	As at December 31, 2020
ICPEI	2.09%	1.75%

Share Capital

As of March 3, 2022, there were 15,182,573 common shares issued and outstanding. On April 1, 2021, the Company issued 2,735,600 common shares and on January 4, 2022 the Company issued 440,415 common shares.

Related Party Transactions

ICPEI and ICPH provided management services to each other. ICPEI received $134 from ICPH for management services provided by ICPEI (2020 - $200). ICPEI paid $1,044 to ICPH for management services provided by ICPH (2020 – ICPEI paid $69 to ICPH). Severance liability for management payable by ICPH to ICPEI is $514 (2020 – nil). The due to related companies balance includes amounts due to ICPH of $nil (2020 - $56).

(in thousands of Canadian dollars, except per share amounts and as otherwise noted)

3 YEAR FINANCIAL HIGHLIGHTS

	Year Ended December 31		
	2021	**2020**	**2019**
Revenue			
Direct written and assumed premiums	66,676	43,188	36,829
Net earned premiums	53,448	37,012	32,397
Underwriting expenses			
Incurred claims	24,281	19,913	22,898
Acquisition costs	13,790	8,918	6,969
Operating expenses	7,742	5,675	4,094
Total underwriting expense	45,813	34,506	33,961
Underwriting income (loss)	7,635	2,506	(1,564)
Corporate expenses	1,149	1,365	1,675
Impact of discount rate on claims	186	(342)	(457)
Investment income	2,561	4,795	2,942
Income (loss) before income taxes	9,233	5,594	(754)
Income tax expense (recovery)	2,558	698	(449)
Net income (loss) on continued operations	6,675	4,896	(305)
Net (loss) income on discontinued operations	0	(5,866)	45,722
Net Income (loss)	6,675	(970)	45,417
Attributed to:			
Shareholders of the Company-continued operations	6,359	4,149	(127)
Shareholders of the Company-discontinued operations	0	(5,866)	45,722
Non-controlling interest	316	747	(178)
	6,675	(970)	45,417
Earnings per share attributable to shareholders of the Company:			
Net income (loss) per share continued operations basic	$0.45	$0.35	$(0.01)
Net income (loss) per share continued operations diluted	$0.45	$0.35	$(0.01)

(in thousands of Canadian dollars, except per share amounts and as otherwise noted)

Selected balance sheet highlights and book value per share details are as follows:

	2021	**2020**	**2019**
Cash and cash equivalents	16,485	11,859	70,932
Investments	54,518	44,582	48,019
Total assets	107,463	81,871	144,020
Provision for unpaid claims	34,430	29,668	26,629
Unearned premiums	33,339	22,571	18,749
Total equity attributable to shareholders	27,152	19,103	89,475
Book value per share (1)	$1.84	$1.59	$7.45

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

LIQUIDITY AND CAPITAL MANAGEMENT

The purpose of liquidity management is to ensure there is sufficient cash to meet all of the Company'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. Also see note 14 Risk and capital Management in the audited consolidated financial statements. The Company will maintain an adequate capital margin above the regulatory capital requirement to withstand an acceptable level of insurance and/or market shocks and to grow the Company. Additional capital of $850 was raised on January 4, 2022 to allow the Company to inject capital into its subsidiary, ICPEI, for its growth.

The Minimum Capital Test ("MCT") ratio of ICPEI as at December 31, 2021 was 328%, which comfortably exceeds the supervisory target of 150%.

The Company raised capital by issuing common shares through non-brokered private placements in April 2021 to partially finance the purchase of the remaining 25% of ICPEI and in January 2022 for growth of ICPEI.

On April 1, 2021, the Company drew a $3,000 term loan with the National Bank maturing on March 31, 2024 with repayment terms of $300 per year and $2,400 on March 31, 2024. During the year, a repayment of $225 was made to the bank.

The Company also has a $2,000 revolving credit line that has not been drawn.

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 unconsolidated balance sheet items of ICPEI Holdings Inc. as at December 31, 2021 are as follows:

	2021
Cash and cash equivalents	1,303
Investments	3,589
Investment in Insurance Subsidiary	26,174
Other assets	747
Liabilities	4,662

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.

COVID-19 PANDEMIC

Due to the strict restrictions on activity in early spring of 2021 combined with rapid gains in vaccinations, the numbers of COVID-19 cases gradually decreased and we saw the gradual re-opening of the Canadian economy in the second half of 2021. However, with the highly contagious Delta variant and the discovery of a new variant, Omicron, the risk for increased COVID cases across Canada remains high. Currently, COVID-19 did not have any significant impact on the premiums, collections, investments or other operational activities of the Company, but the impact remains uncertain as the pandemic continues to evolve.

ACCOUNTING POLICIES

The audited consolidated financial statements have been prepared in accordance with IFRS. Please refer to note 4 of the audited consolidated financial statements as at and for the year ended December 31, 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 audited consolidated 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 the audited consolidated financial statements and (ii) the audited consolidated 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 the Company's accounting policies, which are on an IFRS basis, refer to note 4 of the audited consolidated financial statements for the year ended December 31, 2021. A description of the Company's critical accounting estimates and assumptions is also detailed in note 5 of the audited consolidated financial statements.

ADDITIONAL INFORMATION

Additional information relating to ICPEI Holdings Inc. is available on the Company's SEDAR profile at www.sedar.com.