> "If you get a culture of writing bad business, it's almost impossible to get rid of."
>
> -Warren Buffett

Low-Float Jordan-Based SPAC… Better Than It Sounds

International General Insurance Corporation

NASDAQ: IGIC

February 2024

Current Price: $12.61

24 Month Target Price: $23.50

Implied Upside: 86.2%

IRR: 36.5%

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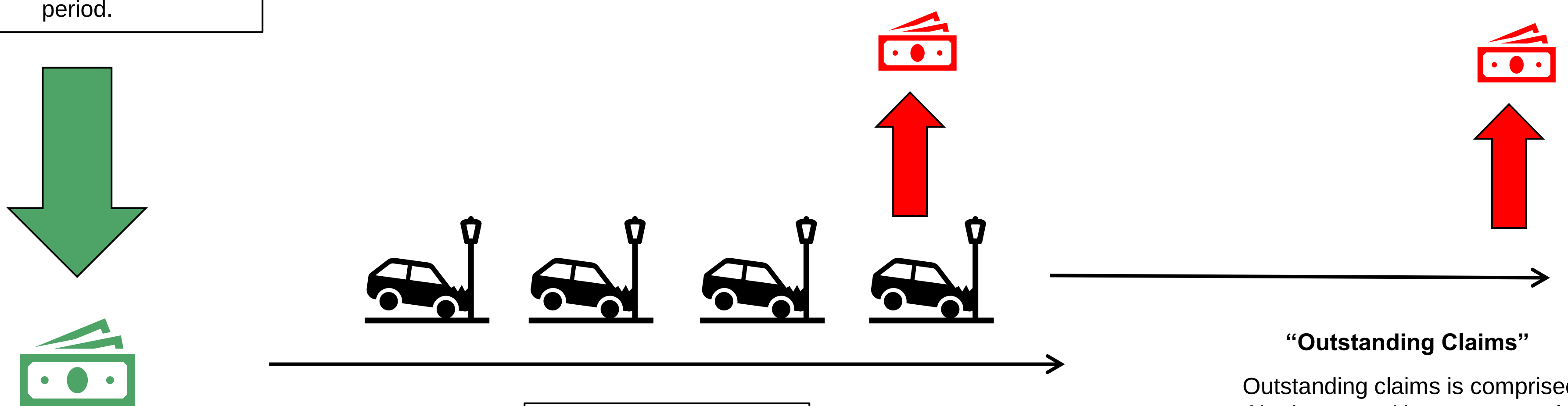
How Does Insurance Work?

Customer pays an insurance premium for a 6–12-month insurance policy, which protects them from specified risks for the period.

Short-Tail Policies: Claims are paid to policyholders relatively quickly after the claim is filed with the insurance company. (<1 year)

Long-Tail Policies: Claims are paid to policyholders a long time after the claim is filed. (>1 year)



“Unearned Premiums”

12 months

Life of Policy

“Outstanding Claims”

Outstanding claims is comprised of both reported but not yet settled claims and claims incurred but not yet reported.

Revenue is recognized throughout the period, as this is when the premiums are being “earned”.

Claim expenses are recognized throughout the period, based on the matching principle, even if claims have not yet been paid.

How Does Insurance Work? (cont.)

Insurance "float" comes from policies that are paid for up front but aren't paid out for a period. During that time, insurance companies invest the float, with most P&C insurance profits coming from investments.

+ **Gross Written Premiums**

− **Ceded Premiums (Reinsurance)**

= **Net Written Premiums**

− **Claims + Claim Adj. Expense**

− **Policy Acquisition Cost**

= **Net Underwriting Result**

When thinking about a bank, deposits are the cost of money, and they then lend out money and gain a spread.

For insurance, the cost of money is the gain/loss on underwriting. If a company has a loss on underwriting, that is the cost of money. If a company has a gain on underwriting, they are getting **paid** to take the money and make investments.

Industry Ratios + Metrics

Combined Ratio – is the company making or losing money from its underwriting operations? i.e., are the claims and cost to acquire the policies higher or lower than the premiums received?

Combined Ratio = Loss Ratio + Expense Ratio

Loss Ratio – what percentage of premiums are going towards paying out claims?

Expense Ratio – what percentage of premiums are going towards the cost to acquire the premiums?

Combined Ratio < 100% = making money from underwriting
Combined Ratio > 100% = loosing money from underwriting

Return on Equity – same as banks, we use return on equity not return on invested capital when analyzing insurance businesses. Capital is very low cost for insurance companies (they get paid for capital if they have <100% combined ratio), and they make safe investments with that capital. ROIC will be low, but the leverage that the claims/unearned premiums give them boosts ROE.

Price/Book & **Price/Earnings** – since we're looking at equity, we use equity related valuation multiples. P/B is the best as insurance book values are closer to market values than most businesses. If ROE > Cost of Equity, the business should trade at >1x P/B and vice versa.

P&C Insurance Market

Personal Lines

Personal line insurance includes, among others:
- Auto Insurance
- Homeowners Insurance
- Renter's Insurance
- Travel Insurance
- Umbrella Insurance

- More consolidated than commercial insurance market.
  - The risks are generally more uniform and easier to price, so its easier for companies to gain a large share of the market.
- Policies are generally more commoditized than commercial lines – particularly when compared to specialty commercial insurance.

Commercial Lines

Commercial line insurance includes, among others:
- Commercial Auto Insurance
- Commercial Property Insurance
- Cyber Insurance
- Directors & Officers Liability Insurance
- General Liability Insurance

Admitted Lines
- Admitted lines are from admitted carriers – they are regulated by the state regulatory insurance body.
- Admitted carries have caps on premiums they are allowed to charge.
- Only cover certain risks – hard to price policies will not be covered here – they go to non-admitted carriers

Non-Admitted Lines
AKA Excess & Surplus Lines
(Specialty)
- Excess & Surplus lines are for risks that are hard to price or are riskier than what admitted carriers can cover.
- Non-admitted insurers don't have caps on premiums, so they can charge higher prices for these hard to price risks.

US Personal Lines Insurance Market

Company	Direct Premiums Written (B)	Market Share
State Farm	71.4	*18.5%*
Allstate	41.6	*10.8%*
Progressive	41.4	*10.7%*
Berkshire Hathaway (GEICO)	38.6	*10.0%*
USAA	25.2	*6.5%*
Liberty Mutual	23.7	*6.1%*
Farmers Insurance	20.9	*5.4%*
Travelers	12.6	*3.3%*
American Family Insurance	11.8	*3.1%*
Nationwide	9.9	*2.6%*
All Other	**88.9**	***23.0%***

US Commercial Lines Insurance Market

Company	Direct Premiums Written (B)	Market Share
Chubb	25.1	*6.2%*
Travelers	21.8	*5.4%*
Liberty Mutual	21.4	*5.3%*
Berkshire Hathaway	17.4	*4.3%*
Zurich	17.2	*4.3%*
AIG	14.2	*3.5%*
CAN	12.8	*3.2%*
The Hartford	11.8	*2.9%*
Progressive	10.9	*2.7%*
Nationwide	10.4	*2.6%*
All Other	**241**	***59.7%***

International General Insurance Overview

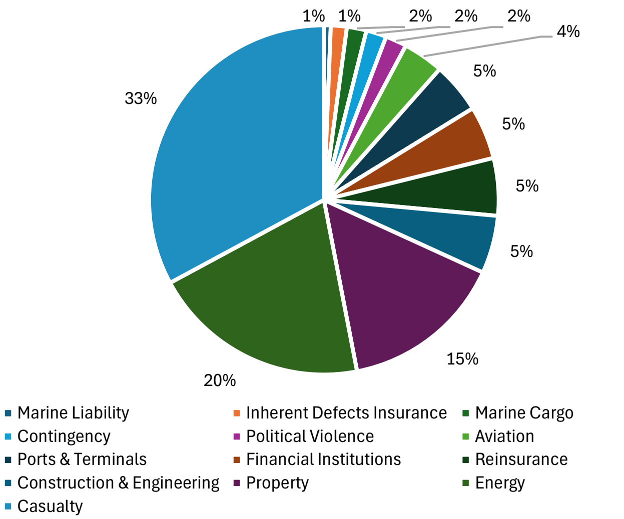
IGI is a specialty commercial P&C insurer, well diversified by geography and business lines.

General Information

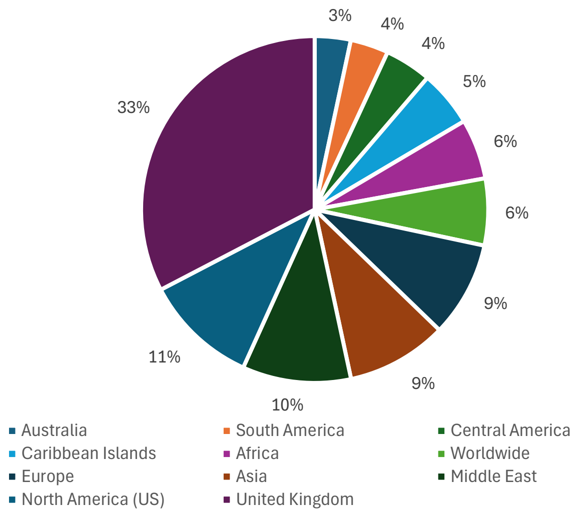
Market Cap	$581m	LTM Core Operating Income	$133.8m
Book Value	$541m	LTM Net Income	$118.2m
LTM Revenue	$505m	LTM P/B	1.07x
LTM GWP	$688.7m	LTM P/E	4.91x
2022 Combined Ratio*	78.0%	LTM Return on Average Equity	24.8%

- IGI was founded in 2001 in Amman, Jordan – started underwriting Offshore and Onshore Energy, Property and Engineering lines.
- Now operates through a diversified portfolio of policy lines with exposure in 200+ countries.
  - Writes long-tail, short-tail, and reinsurance policies.
- Operates through offices in London, Bermuda, Amman, Malta, Oslo, Dubai, Casablanca, and Kuala Lumpur.
- "A" [Excellent] Rating from AM Best and A- from S&P. (credit ratings)
- Started writing short-tail only, excess & surplus policies in the US in 2020.

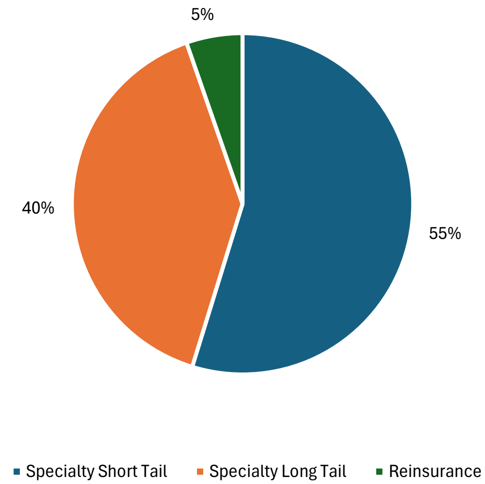
GWP by Business Line



GWP by Geography



GWP by Insurance Category



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*Combined ratio is from 2022 – do not have full data yet for 2023.

Investment Thesis

What Is The Opportunity?

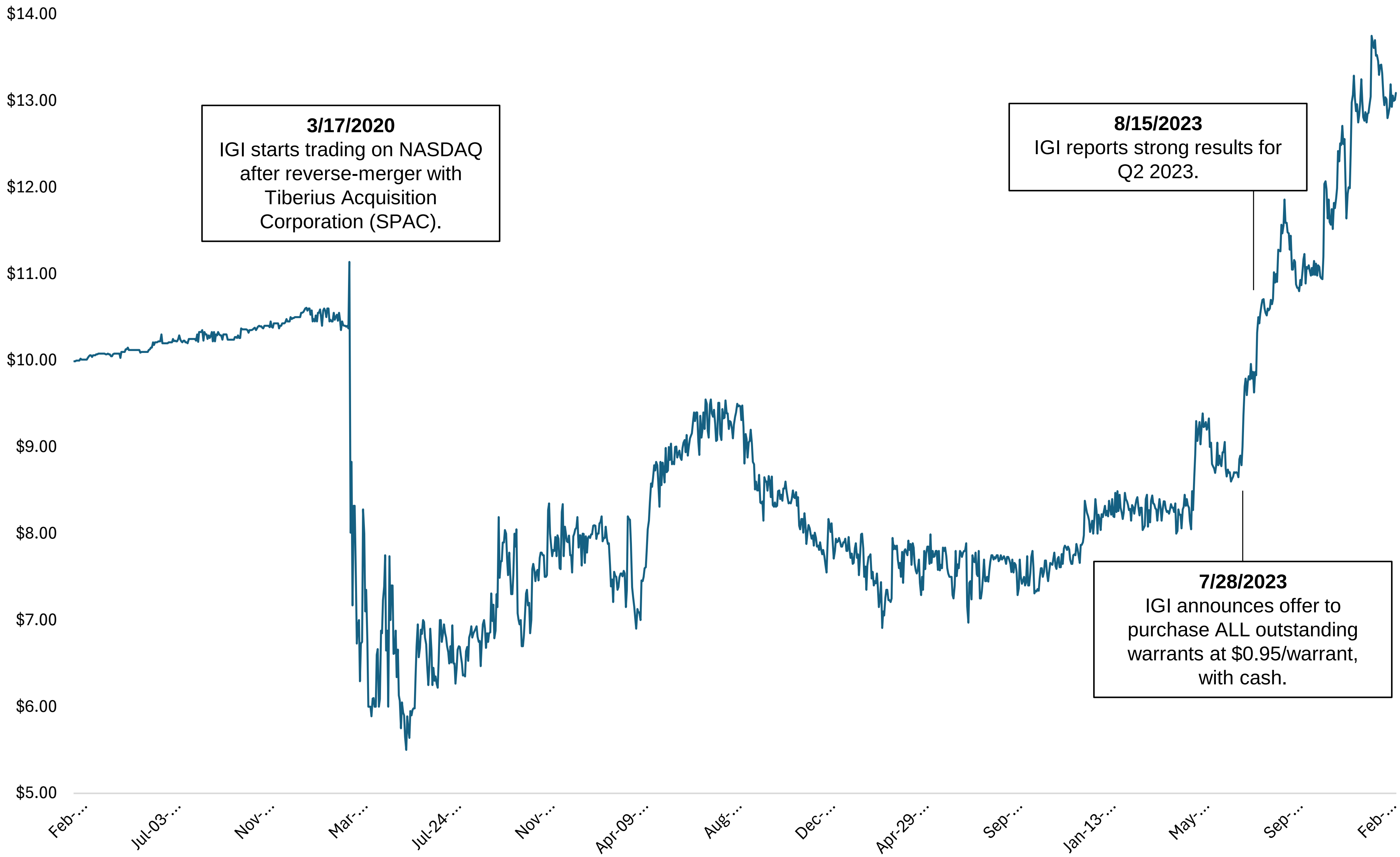
- High-quality insurance company with best-in-class combined ratios, return on equity, and premium growth.
  - 2022 Combined Ratio of 78%
  - 2022 Return on Average Equity of 20.5%
  - 5 Year GWP CAGR of ~16%
- Underwriting first shop with a highly disciplined culture that focuses on only writing profitable policies.
  - This conservative culture results in low loss ratios (resulting in the strong combined ratio), and a conservative investment portfolio
- Highly aligned management team, with founder and chairman Wasef Jabsheh owning ~34% of the company.
  - Walleb Jabsheh, son of Wasef, took the place of CEO in July 2023.
- Despite the strength, IGI trades at 4.9x earnings and ~1.1x book.
- Competitors with similar policy lines, returns, and a conservative culture trade anywhere between 2-5x book.

Why Does The Opportunity Exist?

- IGIC went public via SPAC in March 2020, right as the covid pandemic hit.
  - Shares fell ~45% by May 2020 and did not recover to >$10 until Fall 2023.
  - Following the numerous number of horrible SPACs over the past few years, investors scoff just at the though of a SPAC (including myself).
- Only ~6% of outstanding shares are NOT owned by a shareholder with >5% ownership, meaning the float is TINY. Institutional investors will struggle to trade in and out of the business, keeping large money managers out of the name.
- IGIC is based in Jordan, likely creating concerns regarding the current conflict in the Middle East, and just general uncertainty regarding the governance and risk of the business.
  - This is just compounded by the SPAC label.
- All and all, these issues seem to have kept many investors out of the name, resulting in an unjustly low valuation.
- Increased sell-side coverage (only one analyst right now), an expanding float, and continued compounding of book value serve as potential catalysts.

Investment Setup

IGI has started its recovery after falling ~40% after it's reverse merger to go public (SPAC).



Management + Conservative Culture

Wasef Jabsheh
Chairman and Founder of IGI
- Industry veteran with 40+ years of experience in the insurance industry, specializing in marine and energy insurance
- **Owns ~34% of the company, ~$188M**

Waleed Jabsheh
CEO of IGI
- Wasef Jabsheh's son – President since 2011, CEO since July 2023, and has been with IGI since it was founded in 2001.
- **Owns ~1.2% of the company, ~$6.5M**

Andreas Loucaides
CEO – IGI UK
- Joined IGI in 2015
- 50+ years of experience in insurance – started at a Lloyd's syndicate, founded and sold start-up insurance company PRI group, and was CEO of Jubilee Group at Lloyd's.
- **Owns ~0.2% of the company, ~$1M**

Management Quotes

"I said on last quarter's call that we don't expect to achieve mid 70s combined ratio and ROEs above the 30% mark every quarter. We've always said out longer-term averages are around the mid to high 80s combined ratio wise and mid to high teens from an ROE perspective."

-Waleed Jabsheh

"That is not to say that we won't ever have major events impacting our results. That is the nature of our business. And that is why we look at results over the longer term, not just quarter-to-quarter."

-Waleed Jabsheh

"This mistake not to be made is assuming that this is a hard market that reflects just a "write as much as you can" kind of scenario."

-Waleed Jabsheh

Deeper Dive Into IGIC's Business Lines

Short-Tail – 55% of GWP (2022)

Business Line	2022 GWP	% of GWP
Energy	117,322	20.2%
Property	88,074	15.1%
Construction & Engineering	31,208	5.4%
Ports & Terminals	27,263	4.7%
Aviation	21,872	3.8%
Political Violence	11,461	2.0%
Contingency	10,925	1.9%
Marine Cargo	10,533	1.8%

- **Energy:** covers upstream & downstream customers – oil & gas, petrochemicals, refining, conventional power, and renewable energy
- **Property:** coverage for physical damage, machinery breakdown, business interruption, and forestry. Covers leisure, commercial, industrial property, heavy industry, and infrastructure.
- **Construction & Engineering:** focuses coverage on "Construction All Risk" (CAR) and "Erection All Risks" (EAR).
- **Ports & Terminals:** coverage for port authorities, terminal operators, warehouse operators, and depot operators. Covers handling of equipment, damage to port property, business interruption, etc.
- **Aviation:** covers "hull" (damage to aircraft), war and allied perils, passenger legal liability and general aviation hangar keepers.
- **Political Violence:** covers terrorism, strikes, riots, revolutions, rebellions, wars, and civil wars.

Long-Tail – 45% of GWP (2022)

Business Line	2022 GWP	% of GWP
Professional Lines	191,287	32.9%
Financial Institutions	28,648	4.9%
Inherent Defects Insurance	8,608	1.5%
Marine Liability	3,666	0.6%

- **Professional Lines:** includes directors & officers (D&O) insurance, professional indemnity, general liability, public liability, product liability, workers comp, etc.
- **Financial Institutions:** includes financial D&O, plastic card fraud, vault risk, cash in transit, and fidelity guarantee.
- **Inherent Defects Insurance:** coverage for repairing a building if an "inherent defect" in the "structural works" cause damage 10-12 years following construction.
- **Marine Liability:** includes coverage for ship repairer's liability, ship owner's protection and indemnity, Charterer's liability and terminal excess liability.

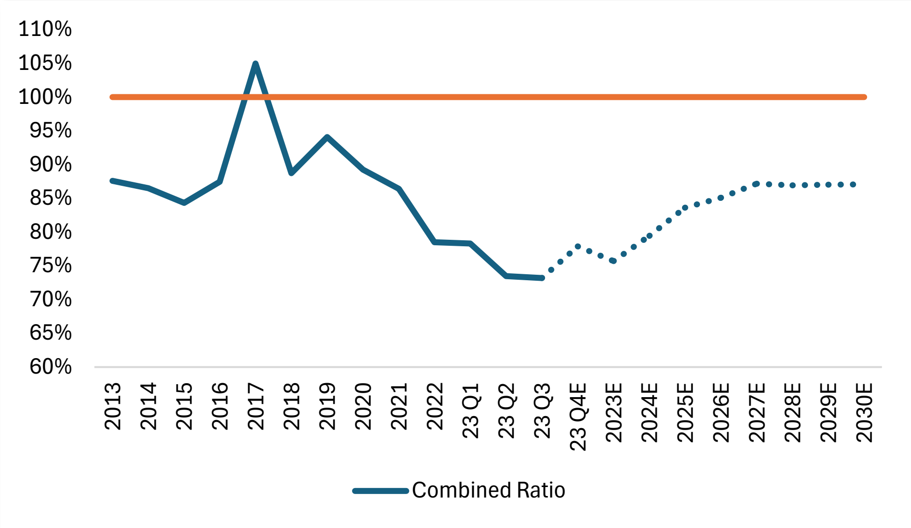
Reinsurance – 5% of GWP (2022)

- Reinsurance is written on a non-proportional or excess-of-loss basis.
- Reinsurance coverage includes marine liability, energy, property, engineering, motor, and casualty + aviation.
- Most significant portion of reinsurance portfolio is property.

Conservatism in underwriting and investing

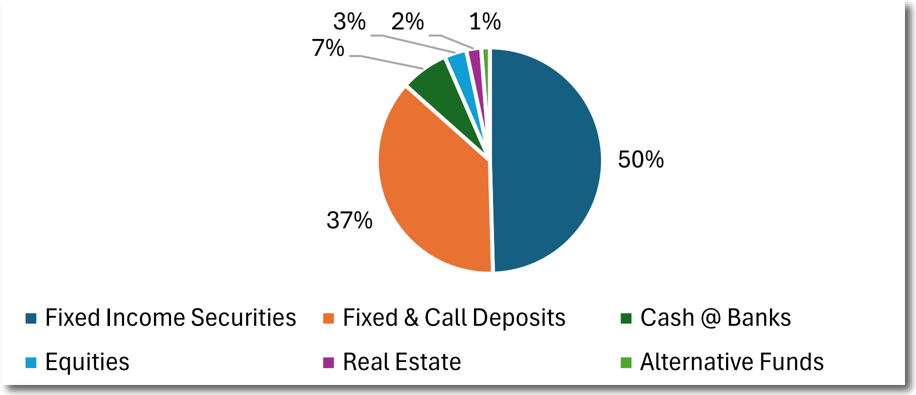
Underwriting

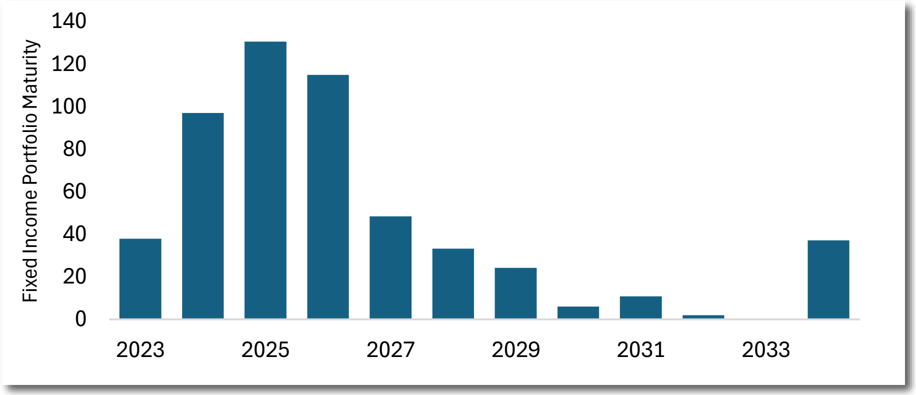
- IGI is an underwriting first shop – underwriting most of their policies in house. This means they have strong control over the risk they take.
  - 70.4% of policies individually underwritten
  - 24.4% was written via MGAs (who must follow IGI's strict risk standards)
  - 5.3% was sourced through reinsurance treaties (reinsurance lines)



- Combined ratio consistently below 100% excluding 2017
- Management believes mid-to-upper 80s is a reasonable expectation for IGI's long-term combined ratio.

Investments (2022 Annual Report)

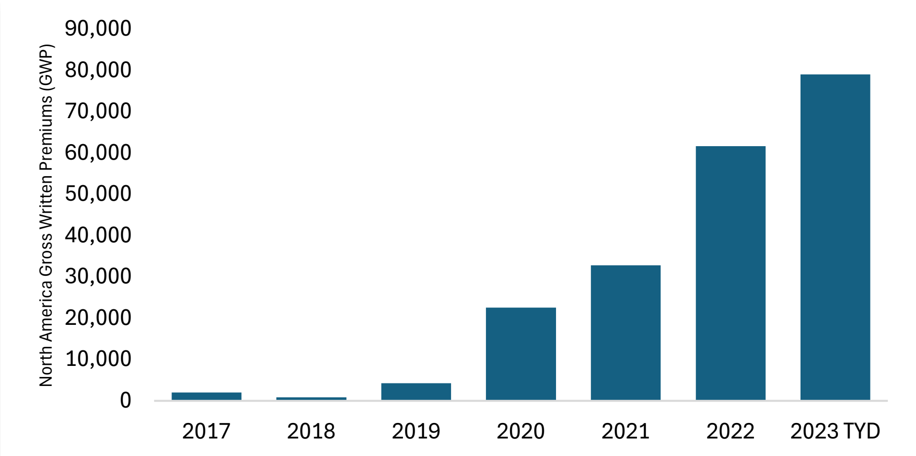




- Investment portfolio is almost entirely low duration fixed income, call deposits, and cash.
- This is a highly conservative portfolio with no risk of them blowing something up.
- If anything, the issue is they are too conservative, preventing higher returns on equity.

Recent Developments and Strategic Outlook

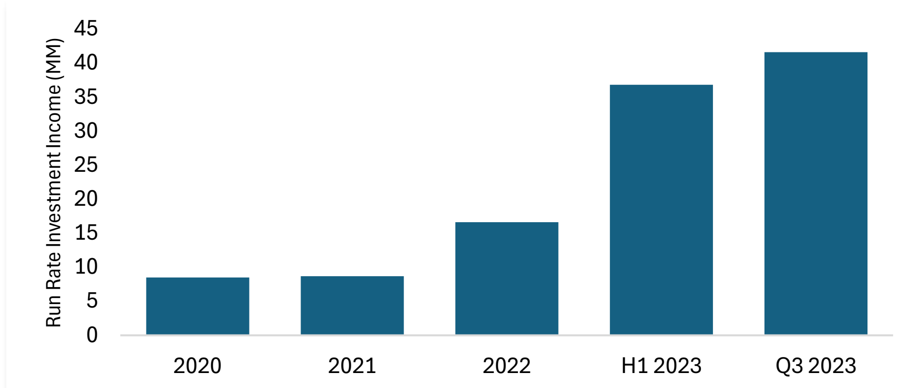
North American Market Entry

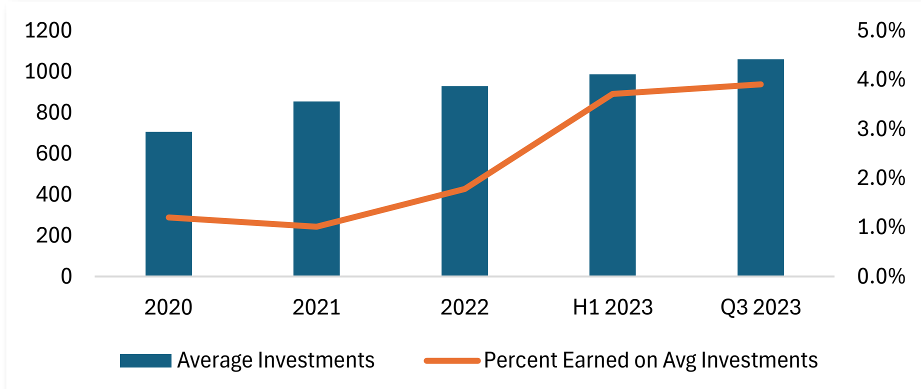


- IGI got approval from the National Association of Insurance Commissioners (NAIC) to start writing excess and surplus (E&S) lines in the United States.
  - IGI has since grown the North American business to ~$79m GWP in the first 3 quarters of 2023.
- The United States business is only E&S short-tail, and management has expressed they have no interest in entering the long-tail business in the US.
- The US business should continue to serve as a profitable growth driver in the coming years.

> "The US continues to outpace all our other markets with rate increases more than 20% in the lines we're writing. As you, this is all short tail businesses, predominantly energy, property, and contingency."
>
> \- Waleed Jabsheh

Higher Rates = Higher Investment Yields





- Higher interest rates have been a tailwind for insurance company's investment portfolios.
- IGIC's average investment yield has increased from 1.2% in 2020 to 3.9% in Q3 2023.
- A growing investment portfolio coupled with higher rates led Q3 2023 investment income to exceed FY 2021 investment income.

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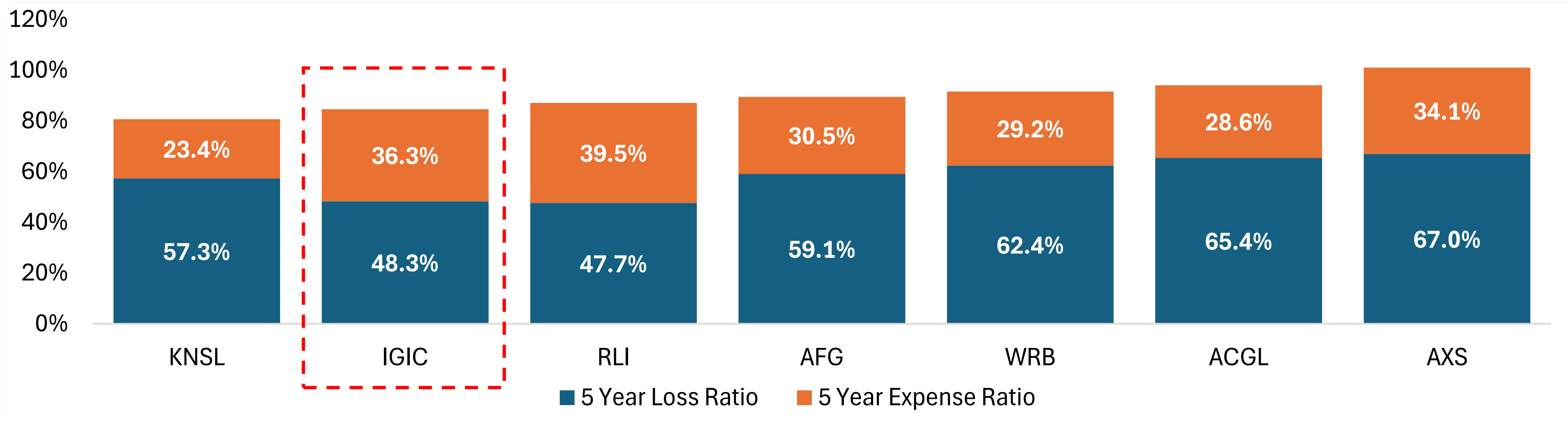
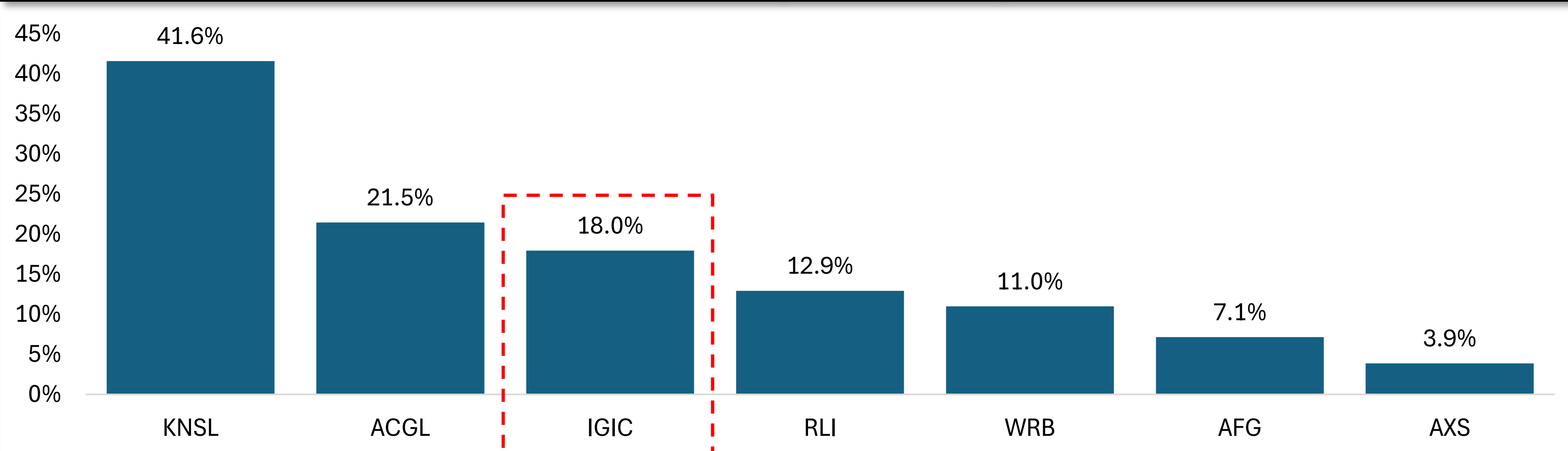
Peer Comparison

IGIC has best in class underwriting profitability coupled with above market growth rates.

Underwriting Profitability



Premium Growth (5-Year GWP CAGR)



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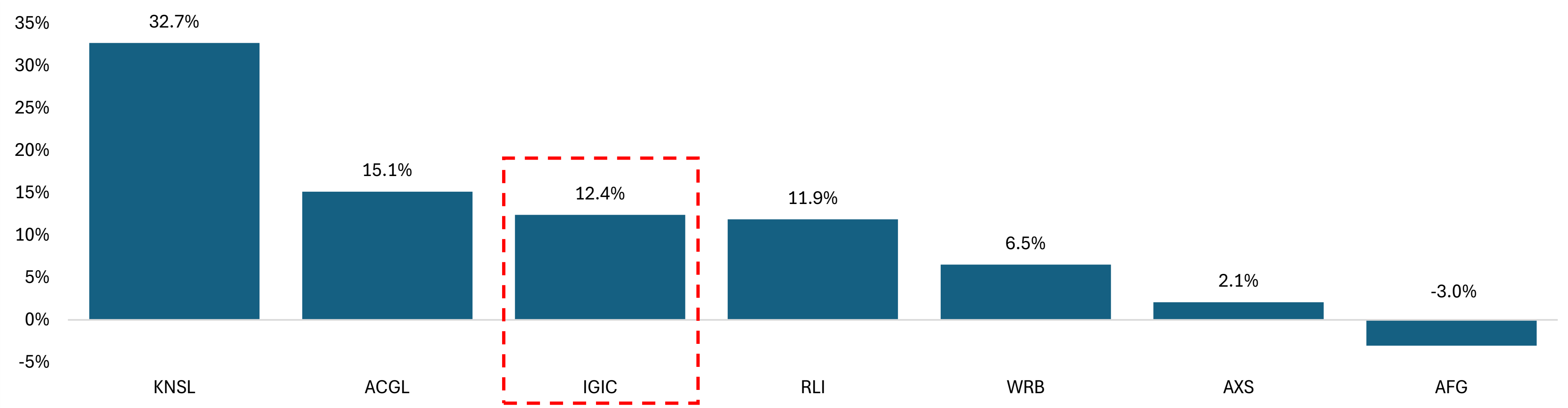
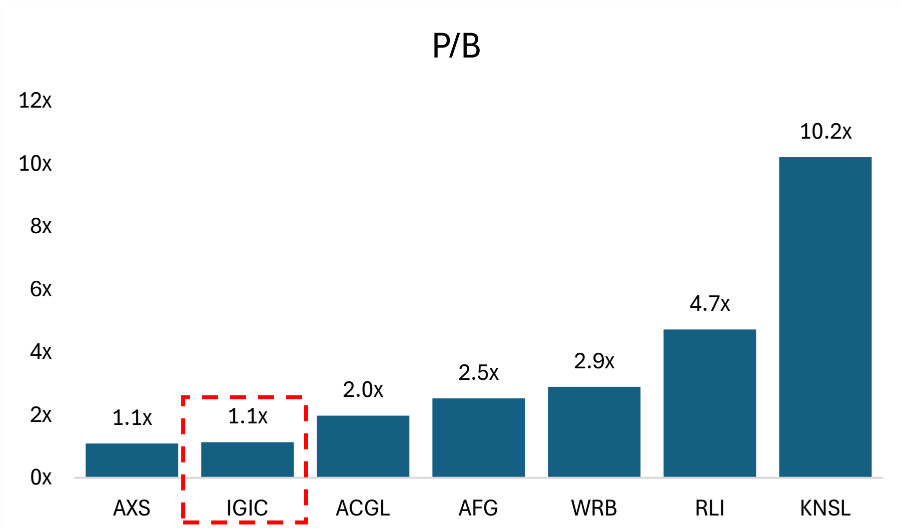
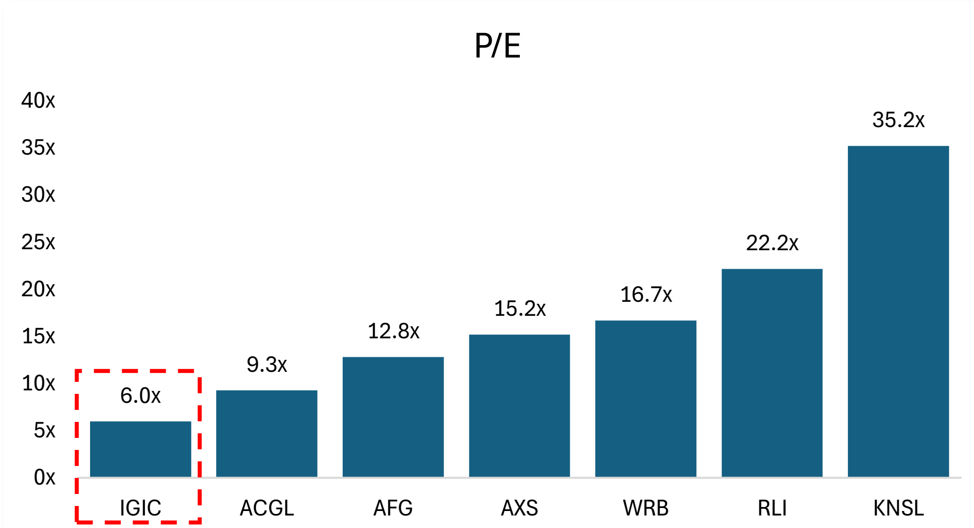
Peer Comparison cont.

5 Year Book Value CAGR



Valuation





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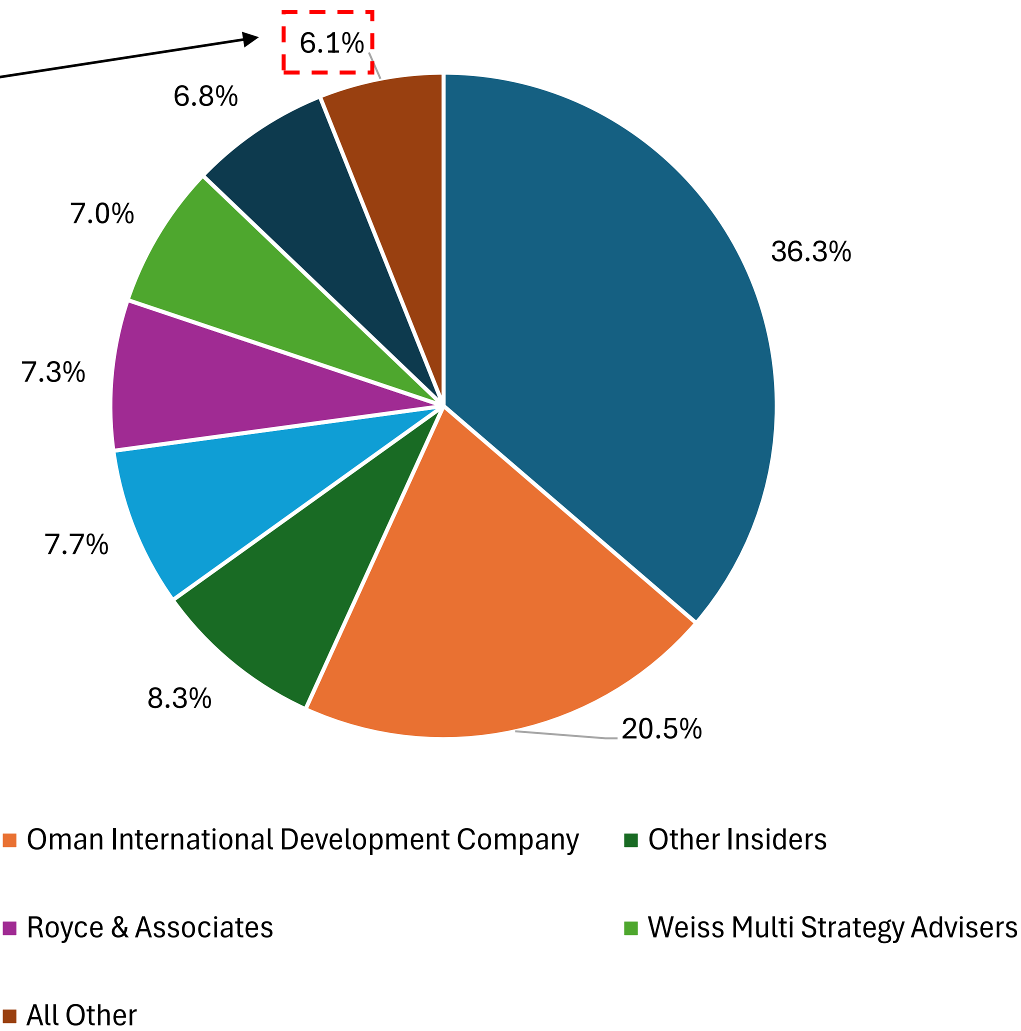
Lack of Float May Help Explain Valuation Disconnect

Only 6.1% of outstanding shares are considered "float", as the rest of the shares are "closely held" by shareholders who own >5% of the company. As a result, this is likely keeping out larger investors who have more capital to deploy.



Valuation

Base Case Scenario

- Insurance market stays somewhat strong throughout 2024 and reaches mid-cycle premiums by 2025.
  - Quantitively, this results in an 82% combined ratio in 2024, and an 86% combined ratio from 2025 to the end of the forecast period.
- Geographic expansion and price increases are satisfactory, with 5% gross written premium (GWP) growth throughout the forecast period. (far below historic CAGR)
- Investment portfolio yields come down slightly, resulting in a 3.5% average yield on investments.
- The market starts to recognize IGI's value, giving IGI a P/B of 1.5x.
  - This is still below high-quality comparables, who are trading in the range of 2x-5x book.

Base Case Valuation	
Average P/B	1.5x
2025 BVPS	$15.67
2025 Implied Price/Share	**$23.50**
Current Share Price	$12.62
Implied Upside	*86.2%*
Implied IRR	***36.5%***

IGIC Valuation Summary

	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Book Value Per Share	$13.38	$15.67	$18.21	$20.94	$23.90	$27.08	$30.47
BVPS Growth		***17.1%***	***16.2%***	***15.0%***	***14.1%***	***13.3%***	***12.5%***
Net Income	117	106	117	126	137	146	157
P/E	**5.2x**	**5.7x**	**5.2x**	**4.8x**	**4.4x**	**4.1x**	**3.9x**
Earnings Yield	***19.3%***	***17.4%***	***19.4%***	***20.8%***	***22.6%***	***24.2%***	***25.9%***
P/B	**1.0x**	**0.8x**	**0.7x**	**0.6x**	**0.6x**	**0.5x**	**0.4x**
Loss Ratio	*45.0%*	*49.0%*	*49.0%*	*49.0%*	*49.0%*	*49.0%*	*49.0%*
Expense Ratio	37.6%	37.7%	37.3%	37.4%	37.2%	37.2%	37.3%
Combined Ratio	82.6%	86.7%	86.3%	86.4%	86.2%	86.2%	86.3%
ROAE	*20.9%*	*15.8%*	*15.0%*	*13.9%*	*13.2%*	*12.5%*	*11.8%*

Risks

- Reversal of the current insurance “hard market”, leading to a reduction in premiums.
- Middle East policy exposure – war in Middle East could cause unexpected losses.
- Hidden long-tail risks that could be understated on the balance sheet. (Have seen 0 evidence of this)
- Small float could keep institutional investors out, leading to a lagging share price.
  - At the same time, a small float means it only takes a few buyers to send the price ripping.

Downside Scenario

- The hard market in insurance ends immediately, sending down premiums.
- IGI starts writing bad business leading to a combined ratio of 95%.
- Expansion into new markets fails – gross written premiums grow at a meek 3% rate.
- Interest rates decrease and IGI only earns a 3% average yield on its investment portfolio.
- The market continues to ignore IGI’s value and continues to trade at 1x book value.
- Calculate book value per share diluting for all earnout shares – even those above the current market price.

Bear Case Valuation	
Price to Book	1.0x
2025 Book Value	$13.10
Implied Price/Share	$13.10
Current Share Price	$12.62
Implied Upside	*3.8%*
Implied IRR	*1.9%*

- Despite the draconian scenario I’ve presented, IGI would basically trade flat over the next 2 years under these circumstances.
- Even under these assumptions, IGI would still grow their book value per share at ~9% rate.
- Using these same assumptions but taking 2030 book value and 1x Price/Book, we still arrive at a 7.1% IRR.

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Appendix

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Loss Development

The table below shows the development of IGI's net ultimate losses and loss adjustment expenses by accident year.

($) in millions	Initial	1+	2+	3+	4+	5+	6+	7+	8+	9+	10+	Net Premiums Earned
2012	100.1	88.1	78.1	81.5	77.3	77.8	76.8	71.6	71.6	71.7	73.1	148.4
2013	123.6	121.7	120.6	117.1	109.5	107.7	107.6	107.3	107.1	105.6		180.6
2014	115.9	90.1	79.2	73.3	70.1	66.8	65.6	65.5	66.4			189.5
2015	92.9	87.0	79.8	75.3	73.1	72.6	71.9	72.4				155.8
2016	98.8	94.1	90.1	85.4	89.2	89.2	89.8					157.9
2017	110.3	117.2	116.4	113.9	112.0	111.8						146.7
2018	94.3	105.0	108.5	113.0	103.1							183.3
2019	124.4	115.7	100.1	107.0								215.5
2020	157.8	155.6	145.9									283.5
2021	192.3	162.9										345.2
2022	198.2											376.4

For additional information about our reserves and reserves development, see Note 7 to IGI's consolidated financial statements included elsewhere in this annual report.

Underwriting Projections

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Gross Written Premiums	**240**	**252**	**242**	**231**	**275**	**302**	**349**	**467**	**546**	**582**	**696**	**766**	**804**	**844**	**886**	**931**	**977**	**1,026**
Ceded Premiums	(59)	(67)	(89)	(83)	(114)	(98)	(97)	(129)	(163)	(186)	(202)	(230)	(241)	(253)	(266)	(279)	(293)	(308)
Net Written Premiums	181	184	154	149	161	203	252	338	383	395	494	536	563	591	621	652	684	718
Net Change In Unearned Premiums	(1)	5	2	8	(14)	(20)	(37)	(55)	(37)	(19)	(39)	(21)	(13)	(14)	(15)	(16)	(16)	(17)
Gross Premiums Earned												731	785	824	865	909	954	1,002
Reinsurers Share of Premiums Earned												(216)	(235)	(247)	(260)	(273)	(286)	(301)
Net Premiums Earned	**181**	**190**	**156**	**157**	**147**	**183**	**216**	**284**	**345**	**376**	**455**	**515**	**549**	**577**	**606**	**636**	**668**	**701**
Claims & Claim Adj. Exp	(123)	(144)	(134)	(129)	(252)	(211)	(160)	(214)	(203)	(235)								
Reinsurers' Share of Claims	24	44	65	58	165	126	42	62	27	78								
Net Claims	(99)	(100)	(69)	(71)	(87)	(85)	(118)	(152)	(176)	(158)	(184)	(232)	(261)	(277)	(291)	(305)	(321)	(337)
Commisions Earned	9	10	13	16	17	17	14	16	23	34	28	31	32	34	35	37	39	41
Policy Acquisition Costs	(48)	(49)	(47)	(50)	(53)	(59)	(59)	(71)	(86)	(104)	(111)	(128)	(142)	(155)	(163)	(171)	(179)	(188)
Net Policy Acquisition Expenses	(38)	(39)	(34)	(35)	(36)	(42)	(45)	(54)	(63)	(70)	(83)	(98)	(110)	(121)	(127)	(134)	(140)	(147)
Net Underwriting Results	**44**	**50**	**53**	**51**	**24**	**56**	**52**	**77**	**106**	**149**	**189**	**185**	**179**	**179**	**188**	**197**	**207**	**217**
Gross Written Premium Growth		*5%*	*-4%*	*-5%*	*19%*	*10%*	*16%*	*34%*	*17%*	*7%*	*19.6%*	*10%*	*5%*	*5%*	*5%*	*5%*	*5%*	*5%*
Premium Retention	*76%*	*73%*	*63%*	*64%*	*58%*	*67%*	*72%*	*72%*	*70%*	*68%*	*71%*	*70%*	*70%*	*70%*	*70%*	*70%*	*70%*	*70%*
Loss Ratio	*55%*	*53%*	*45%*	*46%*	*59%*	*47%*	*55%*	*53%*	*51%*	*42%*	*40.3%*	*45%*	*48%*	*48%*	*48%*	*48%*	*48%*	*48%*
Net Claims Expense											*18%*	*19%*	*20%*	*21%*	*21%*	*21%*	*21%*	*21%*
Expense Ratio	*33%*	*34%*	*40%*	*42%*	*46%*	*42%*	*39%*	*36%*	*35%*	*37%*	*35%*	*37%*	*38%*	*38%*	*39%*	*38%*	*38%*	*39%*
Combined Ratio	***88%***	***86%***	***84%***	***87%***	***105%***	***89%***	***94%***	***89%***	***86%***	***78%***	***76%***	***82%***	***85%***	***86%***	***87%***	***86%***	***86%***	***87%***
Net Results / Gross Premiums	*18.1%*	*19.9%*	*21.8%*	*21.9%*	*8.6%*	*18.6%*	*14.9%*	*16.6%*	*19.4%*	*25.5%*	*27.1%*	*24.2%*	*22.2%*	*21.2%*	*21.2%*	*21.2%*	*21.2%*	*21.2%*
Commision Earned as % of GWP	*3.9%*	*4.1%*	*5.5%*	*6.7%*	*6.1%*	*5.6%*	*4.0%*	*3.4%*	*4.2%*	*5.8%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*	*4.0%*