

International General Insurance Holdings Ltd.

Second Quarter and First Half 2025 Conference Call

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CORPORATE PARTICIPANTS

Robin Sidders - *Head of IR*

Waleed Jabsheh – *CEO, President, Director*

Wasef Jabsheh – *Executive Chairman*

Pervez Rizvi – *CFO*

PRESENTATION

Operator

Good day, and welcome to the International General Insurance Holdings Limited Second Quarter and First Half 2025 Financial Results Conference Call. All participants are in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then 1 on your telephone keypad. To withdrawal your question, please press star then 2.

Please note that this event is being recorded. I would now like to turn the conference over to Robin Sidders, Head of Investor Relations. Please go ahead.

Robin Sidders

Thanks, Nick, and good morning, and welcome to today's conference call. Today we'll be discussing the financial results for the second quarter and first half of 2025. You will have seen our press release that we issued after the market closed yesterday. That press release can be found on our website at www.iginsure.com. We've also posted a supplementary investor presentation, which can be found also on our website on the Presentations page in the Investors section.

On today's call are Executive Chairman of IGI, Wasef Jabsheh, President and CEO, Waleed Jabsheh, and Chief Financial Officer, Pervez Rizvi. As always, Wasef will begin the call with some high-level comments before handing over to Waleed to talk you through the key drivers of our results for the second quarter and first half and finish up with our views on market conditions and the outlook for the remainder of 2025. At that point, we'll open up the call for questions that any of the dialers may have.

So, I'll begin with the customary safe harbor language. Our speakers' remarks may contain forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking words. We caution you that such forward-looking statements should not be regarded as a representation by us that the future plans, estimates, or expectations contemplated by us will, in fact, be achieved. Forward-looking statements involve risks, uncertainties, and assumptions. Actual events and results may differ materially from those projected in the forward-looking statements due to a variety of factors, including the risk factors set forth in the company's annual report on Form 20-F for the year ended 31st of December 2024, the company's reports on Form 6-K, and other filings with the SEC as well as our results press release that we issued yesterday evening. We undertake no obligation to update or revise publicly any forward-looking statements, which speak only as of the date they are made.

During this call, we use certain non-GAAP financial measures. For a reconciliation of non-GAAP measures to the nearest GAAP measure, please see our earnings release, which has been filed with the SEC and, as I said, is available on our website.

With that, I'll turn the call over to our Executive Chairman, Wasef Jabsheh. Wasef?

Wasef Salim Jabsheh

IGI once again delivered excellent results both for the second quarter and first six months of 2025. We generated net income of \$34.1 million and \$61.4 million for the second quarter and first six months, respectively. And this resulted in an annualized return average equity of 20.8% for the second quarter and 18.6% first half of the year. I'm very pleased with our strong performance, particularly our ability to maintain our focus, exercise discipline, and execute consistently.

Given the very integrated nature of our portfolio as well as our presence in many regions, we are often directly exposed to some form of geopolitical and/or macroeconomic uncertainty. Over more than 20 years, we have consistently demonstrated our strength and proficiency in managing through all stages of cycle, moving our capital to those areas with the strongest rate momentum and the highest margins and reducing in other areas where conditions are such that we are not able to meet our profitability targets. That is the tail wind and the benefit of having a very diversified platform and always working within our risk appetite and tolerances.

Our value at IGI is in our ability to generate consistently high-quality results in any stage of market cycle so that we continue to reward our shareholders who have put their trust in us and supported us. So far in 2025, in addition to strong earnings, our proactive capital management has resulted in us growing book value per share by 3.4% to \$15.36 per share in the first half of the year and returning a total of \$77 million to shareholders in dividends and share repurchases.

I will now let Waleed discuss the numbers in more detail and talk about market conditions and our outlook for the remainder of the year. I will remain on the call for any questions at the end.

Waleed Wasef Jabsheh

Thank you, Wasef. Good morning, everyone, and thank you for joining us today. We had an excellent second quarter and first half of 2025. And as Wasef indicated, we're in a strong position as we continue through the second half of the year. We're still seeing decent additions and rate adequacy across much of our portfolio and pursuing opportunities to enhance our distribution capabilities that will ultimately generate additional value. Our goal and our promise is to create opportunities that will generate consistent and sustainable value for the long-term, and we've demonstrated over more than 20-year history. Our strength is our ability to do this throughout the market cycle.

In 2025, while conditions remain generally healthy, there are areas of our portfolio which are facing slightly more competitive pressures. We've mentioned those in previous calls. So, we're focusing on those lines and markets that remain healthier and reducing our exposures in areas where we can't generate the acceptable level of risk-adjusted return. At the end of the day, this is what cycle management is all about. So, before we go through the numbers in detail, it's important to note upfront the meaningful impact that foreign currency plays [ph] on our results once again this quarter and that is specifically on the revaluation of our non-U.S. dollar-denominated loss reserves and how this flows through a number of line items in our results, most significantly on our underwriting results as you saw for both -- you saw that in both the second quarter and the first six months of the year.

As you know, our underwriting portfolio, as Wasef mentioned, is very international in nature. Similarly, our investment portfolio is also very geographically diversified. This ensures, however, that we're always striving to achieve as accurate a match as possible between our assets and our liabilities, although it's never an exact science.

Now roughly half of our underwriting portfolio is transacted in either non-U.S. dollars or non-U.S. dollar based currencies. And this by far is most pronounced in our long-tail segment, which as of June 30 represented around 22% of total gross premium. About 80% of this portfolio is transacted in sterling, in British pounds. But more importantly, almost half of the group's total reserves are held against the long-tail segment. And the sheer nature of long-tail business means these reserves are held for a longer period of time. And for IGI, that means about six to eight years on average.

So, when the U.S. dollar, our financial reporting currency, when the U.S. dollar weakens meaningfully against the pound as it did at the start of the year, and even more so during the second quarter, the resulting impact on the revaluation of our reserves undoubtedly led to a somewhat distorted view of the underwriting results, specifically our loss ratio and obviously, therefore, ultimately our combined ratio and also our core operating results. So, as I go through the results, I'll try and provide the dollar or percentage value impact where it meaningfully distorts period-over-period comparisons in our results.

Now specifically on the numbers and starting with the top line. Gross premiums in the second quarter of 2025 were just under \$190 million, reflecting a decrease of 8.7% and this is reflected in both the short-tail and the long-tail segments where competitive pressures are more prevalent. For the first six months, gross premiums were up almost 2% to around \$395 million, primarily driven by growth in the reinsurance segment where we continue to take advantage of both, the more positive market conditions, which I'll talk about more in a moment.

Net earned premium was \$115 [ph] million for the second quarter of 2025 versus around \$122 million for the same period last year. For the first six months, net premiums earned were \$227.8 million versus approximately \$236 million. For both the second quarter and first six months of this year, net premiums earned included the impact of reinstatement premiums, which we mentioned on the last quarter's call on loss-affected business amounting to \$2.6 million this quarter against \$9.9 million for the first half. Again, I would note that we are strategic buyers of reinsurance to help mitigate volatility in the high severity lines of business that we participate in.

The combined ratio for the second quarter was 90.5%. The combined ratio for the first half was 92.4%. Now these were negatively impacted by the revaluation of those non-U.S. dollar loss reserves. The impact amounted to approximately 21 points in Q2 and 15 points in the first half. Here are these numbers, and this really underscores the strength of our fundamental performance in what is becoming a more competitive environment. The first six months also saw a higher volume of losses when compared to the same period in 2024, especially in Q1 as well as a lower volume of net earned premium from the reinstatement premium impact I mentioned a couple of minutes ago.

All in, we delivered net income of \$34.1 million or \$0.77 per share for the second quarter versus \$32.8 million or \$0.73 per share for the second quarter of last year. It's important to note here that when you look at the second quarter specifically, even though our combined ratio was almost 10 points higher and our net earned premium base was almost 6.6% lower, we still produced a net income that was higher by 4% over the second quarter of 2024, clearly illustrating the strength of our underlying performance.

For the first half of this year, we generated net income of \$61.4 million or \$1.36 per share versus \$70.7 million or \$1.55 per share for the first half of last year. The period-over-period decline in net income in the first half was a result of a lower level of underwriting income, again, due to currency

reevaluation movements in large part, but also a greater level of loss activity and the higher level of [inaudible].

Core operating income was \$22.8 million or \$0.51 per share in Q2 compared to \$33.2 million or \$0.74 per share in Q2 last year. For the first six months of 2025, core operating income was \$42.2 million or \$0.93 per share versus \$73.3 million or \$1.61 per share, with the difference again primarily attributable to a lower level of underwriting income impacted by the currency devaluation. And there was a higher loss activity, specifically 16.9 points for current accident year CAT losses that we mainly saw in the first quarter.

Prior year development was unfavorable in Q2, amounting to \$6.3 million, primarily driven by the impact of about just under \$20 million currency revaluation. Out of which, and the majority, as we mentioned earlier, in the long-tail segment came up to about almost \$14 million [ph] [inaudible] as we said, is largely transacted in pound sterling.

For the first six months, prior year development was favorable by just under \$20 million versus \$41.5 million for the first half of last year, with the lower volume primarily attributable to the currency revaluation, which in the first half amounted to about \$32 million. So, on a constant FX basis or on an apples-to-apples basis, we would have seen favorable development of just under \$13 million for the second quarter and about \$52 million for the first six months of this year. And I'll talk more about the long-tail segment in a moment. The G&A expense ratio was 21% in Q2 versus 20.1% for the first half.

Now a few comments on our segment results. In our short-tail segment, gross premiums were down 8.5% and 4.2% for the second quarter and first half, respectively. Consequently, earned premiums were also down 8.4% and 6.9% for Q2 and H1 of 2025 compared to the same period in 2024. The decline in both periods reflects the lower level of written premiums as well as the impact of reinstated premiums on our reinsurance purchases. The result of underwriting income was up almost 21% to \$25.6 million in the second quarter, largely due to a lower level of losses recorded in Q2 versus the same period the previous year. For the first six months, underwriting income was just over \$50 million, down about 10 points when compared to the first half of 2024.

And we continue to see new business opportunities in a number of lines, particularly engineering and construction, in marine lines and to a lesser degree, contingency and property lines. Although broadly speaking, the rating environment and pricing remains adequate. But engineering continues to stand out as an excellent growth opportunity, seeing a lot of infrastructure projects and opportunities coming to many of our markets across the globe.

Gross premiums in the Reinsurance segment, the Treaty segment, which is, as we always say, is very well diversified geographically, were flat compared to the second quarter of last year, while the first six months of 2025 showed growth of about 33% versus the same period in 2024, primarily driven by strong renewal and new business generated in Q1 and more around the 1st of January.

Growth was mainly in marine, energy, PV terror [ph], and to a lesser extent, the property lines. Now conditions generally remain strong and pricing adequate in this business -- in this line, in this segment, but there is definitely increasing evidence of competitive pressures.

Earned premium was up just over 21% in Q2 and about a third in the first half of 2025 compared to the same period the previous year. Underwriting income was up almost 60% in the second quarter and about 55% in the first half of this year compared to the same period last year. The significant increase in that underwriting income in the segment clearly illustrates the shift of focus

-- shift in focus, which we always talk about that we made a year ago to higher-margin reinsurance business. And we're now seeing this flow through the financial results.

The long-tail segment continues to be the area of our portfolio that is definitely most challenging. This has been the case now for many quarters. We've said time and time again, and I expect it will continue to be the case for at least the near term. And this is the segment where our cycle management capabilities are clearly evident as we purposely contracted the book by around 15% since 2021 after several years of healthy top line growth when market conditions were very much in our favor. And we've been talking -- we've been taking a very cautious approach to rates, have been consistently now declining for many, many quarters, albeit from very high levels, but the pace of decline is now showing signs of slowing down.

In the second quarter and first half of 2025, gross premiums were down almost 12% and almost 5%, respectively, in the segment. We recorded an underwriting loss of about \$3 million for Q2 versus an underwriting profit of about \$15 million in Q2 last year. And for the first half, we recorded an underwriting loss of about \$10 million versus an underwriting profit of about \$26 million last year.

Now I'll take a moment to add some context here. Again, first is FX. The currency value, the revaluation of non-U.S. dollar reserves, which I said -- as I said earlier, impact this segment, the long-tail segment the most by far as the vast majority of our business is transacted in pounds. So, on a currency-neutral basis, underwriting income would have been just under \$12 million in the second quarter and just over \$13 million in the first half. Now that's the first factor here.

Second, as we've been saying, we've been contracting this portfolio purposefully as competitive pressures in these lines have led to reductions in rates and lower margins. So, we're generating less written and earned premium. And finally, we saw a higher level of losses in this segment, especially in the first quarter and specifically within our professional hedge fund. And this has led to a higher level of reinstatement.

We've indicated on our last two calls that we were reviewing one area of our professional indemnity portfolio, which has not been performing up to par. And we have now made that decision to not review this. As I said, nothing systemic, generally poor performance where the results simply aren't meeting our targets and with the outlook unlikely to improve enough for us in the near term to change our view, which just isn't due to the continued profitability to renew this part of the portfolio.

Now the effect of this will be a decline in gross premium of about \$60 million in total. About 10% of that will be reflected in Q3, 50% in Q4, and the remainder will be spread over the first half of next year. Now while the impact overall seems very pronounced on the top line, the way that we actually restructured this business over the past few years means that the actual impact on net driven premium is only around \$6 million or \$7 million. Ultimately, taking this action now should and we expect that it will improve the overall profitability profile of the long-tail segment going forward, which ultimately is the whole point.

Now turning to the balance sheet. Total assets increased by just over 4% to about \$2.1 billion. Total investments in cash were \$1.3 billion. Our fixed income securities, which makes approximately 80% of our investments and cash portfolio generated just under \$14 million in investment income in the second quarter, which is an increase over the Q2 of last year of about just over 5%. For the first six months of the year, investment income increased more than 10% to

about \$27.5 million with an average annualized yield of 4.4%. And we also edged out the duration slightly to 3.5 years during the quarter to lock in higher rates on some new bonds.

In the second quarter, we repurchased just over 1.34 million common shares at an average price per share of \$23.28. As of the end of Q2, this leaves approximately 800,000 shares remaining on our existing 7.5 million repurchase authorization.

Total equity was \$662.2 million at the end of Q2, and that includes the impact of share repurchases and the payment of \$42 million in common share dividends, including the special dividend of \$0.85 that we paid back in April. This compares to total equity of \$654.8 million at the end of last year.

Ultimately, we recorded a return on average shareholders' equity of 20.8% for the second quarter and 18.6% for the first six months of this year. So, from a total return perspective, we grew book value per share by 3.4% in the first six months, and we returned a total of \$77 million to shareholders in share repurchases and dividends in the first half of the year. So, I mean all the noise from currency movement aside, it was an excellent quarter and an excellent first half of 2025.

Now specifically on what we're seeing in our markets, that elevated competitive pressure is there. And in some areas, it is increasing more than others. In spite of the headwinds facing our sector, we continue to seek and find profitable opportunities to write new business across many lines within our portfolio. And I expect overall, we will continue to see some contraction in top line in certain areas of our portfolio where profitability and coverages just don't meet our required targets.

This is very much the benefit of having a multifaceted diversification strategy, specialist expertise, and people on the ground in our regional markets. It just gives us more optionality and more levers to work with. So, when market conditions in one line or in one region are particularly competitive, there will be other lines and other regions where the market remains robust.

The individual elements of our portfolio don't move in unison, as we all know. I said on last quarter's call that domestic markets across the world are becoming stronger and more resilient, and there's much higher desire, growing desire to retain business within those local markets. So, being situated in these regions and having local talent means that we can still access domestic business that is no longer coming to London [ph].

We're seeing mixed conditions across much of our portfolio, consistent with what we said on previous quarters' calls. Some areas remain quite -- relatively quite healthy, while other areas are seeing a little more competition and as such, rating pressure. Generally speaking, reinsurance lines remain healthy as we saw on the short-tail lines. We're clearly at the stage of the broader cycle where portfolio and exposure management is absolutely critical.

And I'll make one thing very, very clear. At IGI, we will not sacrifice the bottom line to benefit the top line. Our primary goal and our promise is to generate sustainable value for the long-term. And we won't succeed at that if we give into some of the more pervasive pressures that are driving rates and ultimately profitability downwards. Now in our long-tail segment, net rates overall do remain adequate in most areas. And the pace of rating decline, as I said a few moments ago, has slowed down moderately.

So, we're seeking new opportunities, and we're taking action to expand our footprint in specific markets, keeping in mind that we have no appetite to write any U.S. liability business. In both

Oslo and Malta, where registration is a slower process, we've expanded our capabilities over a year ago, and these efforts are starting now to bear fruit.

Our outlook on short-tail lines continues to be fairly consistent with what we've been saying in prior quarters, although the market is definitely becoming tougher as we [inaudible] this earnings season. We're seeing greatest pressure in property and especially energy lines, particularly downstream energy. Where we're seeing the most opportunities in the more specialist lines like construction, engineering, as I mentioned earlier, some marine lines. And in those marine lines, certain business, much of that business is renewing at least on a flat or as before basis, if not slightly higher rates.

The loss events, unfortunately, of the first few months of 2025 don't appear to have had much impact on market conditions in any specific line. And again, unfortunately, we continue to see more intense competition from both the large multinational carriers and from the MGAs. And you heard comments from other carriers this earnings season on the impact of MGAs.

On the whole, we are supporters of and users of [inaudible] business where we can access the business ourselves. And we've built a strong dedicated insurance team internally to invest and manage that business. But there are certain elements of that [inaudible] business that are less disciplined, not just on pricing, but also on terms, conditions and most importantly, on coverages.

Now in the reinsurance segment, we're still seeing a decent flow of opportunities that fall within our risk tolerances, and I expect that that will continue for the remainder of the year. Now that said, the major 1/1 and 4/1 renewals are behind us. So, significant growth in the segment in the second half of the year will be a lot more muted. Like all areas of our business, we're pursuing opportunities to enhance our distribution capabilities in this segment, and that should help us continue to expand our portfolio.

I mean, overall, the markets -- the reinsurance market seems to still be behaving in a relatively disciplined manner from a structure, terms, wordings perspective. So, pricing pressure is -- so with conditions holding steady and there's still perceived margin in the business, some carriers are willing to give up more on price. We are again continuing to see the large carriers pushing hard to maintain and build that market share we mentioned earlier, and that's obviously adding to the rate pressure.

In our geographic markets, we've always been underweight in the U.S., and we expect that it will continue to be on the markets with the greatest opportunity for us to write new business. But like always, we're mindful of our risk appetite, our tolerances, particularly in the high CAT exposed regions and zones. So, there's room for us to grow here, both in our specialty treaty book and in our short-tail lines.

Now Europe also remains a growth area for us. Story similar in MENA and Asia Pac regions and our expanded presence and capabilities on the ground in those regions are paying benefits.

Now before we open the call for questions, just some final thoughts from my end. I mean, like I said at the start of the call, we're absolutely fully prepared for any headwinds. They're all part and parcel of our business, our industry. I mean, our strategy, our expertise, and footprint, all specifically geared towards managing the cyclical and the volatility of our business, where lines and markets behave largely independent of each other. We've got a fully unlevered balance sheet. Our underwriting portfolio is diversified at many levels. And with our physical presence in key regions worldwide, we stay very close to our markets.

We have the right infrastructure with the right experience and capabilities in our people to successfully execute on our strategy and navigate any and all stages of the cycle. This is the foundation that we are built upon and what gives us the resilience to succeed through market cycles as clearly evident in our track record. So, we're looking ahead with a healthy dose of optimism that we will continue our track record of generating superior value for the long-term.

So, I will pause here, and we will turn it over for questions. Operator, we're ready to take the first question.

QUESTION AND ANSWER

Operator

Thank you. We will now begin the question and answer session. Again, to ask a question, you may press star then 1 on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing any keys. If at any time your question has been addressed and you would like to withdrawal your question, please press star then 2.

At this time we will pause momentarily to assemble our roster. First question today will come from Nic Iacoviello with Dowling & Partners.

Nicolas Iacoviello

Great quarter considering the FX impact. I was curious on the net to gross retention on a written premium basis was 64% in the quarter. It was down from 73% year-over-year. Can you speak a bit to that? I was wondering if that was mix driven in any way? Or was there just additional opportunistic outwards buying in the quarter?

Waleed Wasef Jabsheh

Hi, Nic, thanks for the question. No, it really is more of the -- more opportunistic. We've been buying a higher level of facultative reinsurance in the softer market; again, more opportunistic, trying to generate higher levels of more fee income or overwriting income as well. We expanded also our capabilities in certain lines of business on the back of reinsurer support from the likes of the large European reinsurers that have sought a piece of the pie from our portfolio. So, some of it is strategic, but I think elements of it is opportunistic.

Nicolas Iacoviello

And then I was just curious that one area of the professional indemnity portfolio that sounds like will be non-renewed. Based on the net to gross figure you gave, it sounds like there was around 85% quota share on the book. Has it always been at that level? Or has that feed increased in recent years? Or can you just help me think about maybe what the session was a couple of years ago versus now, would be helpful? Thanks.

Waleed Wasef Jabsheh

I mean over the last few years, it's hovered between sort of the 60% to 80%, 85% session. It wasn't always like that. In the initial years, it was a much smaller book that we retained for the first couple of years and then we started -- as we developed the book and grew it, we did it on the back of reinsurance support. Now that last year was around 80%, 82.5%. And hence, the net impact, the gross number looks like it's a big one, a high one. But once it trickles down through your net numbers and down to your bottom line, at the end of the day, it's not material. And ultimately, what we're doing by non-renewing a book of this size, which I think takes -- speaks volumes as to the discipline and our razor sharp focus on the bottom line. With the nonrenewal of

this size portfolio, the intent here is to improve overall profitability, and that's what we expect will ultimately occur.

Operator

Seeing no further questions, this will conclude our question-and-answer session. I would like to turn the conference back over to management for any closing remarks.

CONCLUSION

Waleed Wasef Jabsheh

Thank you, Nick. And just thank you all for joining us today, and thank you for your continued support of IGI. As always, any additional questions, please get in touch with Robin, and she'll be happy to assist. And we all look forward to speaking with you on the Q3 call. Have a good day, everyone. Thank you very much.

Wasef Salim Jabsheh

Thank you.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.