Tiptree Inc. (NASDAQ: TIPT) Initial Screen

Hidden Gem: Fortegra

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Key Ratio and Statistics

Recommendation	**Buy**	P/B	1.73x
Market Cap	679.87mm	LTM P/E	53.70x
52-Week Low	12.12	EV/EBIT	6.40x
52-Week High	18.72	Net Debt/LTM EBITDA	N/A
Share Price	18.50	Date	12/02/2023

Business Overview:

Tiptree is a holding company.

1) They own approx.. 73.1% of specialty insurer, Fortegra.
    - TIPT has filed to take Fortegra public with Goldman, JPM, Jeffries and Barclays
    - https://www.sec.gov/Archives/edgar/data/1841612/000162828023037815/fortegras-12023.htm#i574d067347c44c29a11d5664d07095cf_19
    - A minority interest investment from Warburg Pincus further validates Fortegra's legitimacy
2) Tiptree Capital
    - Includes Tiptree's non-insurance operations and investments
    - Acquire or invest in companies outside the insurance with balance sheet capital

Tiptree Capital Business Overview:

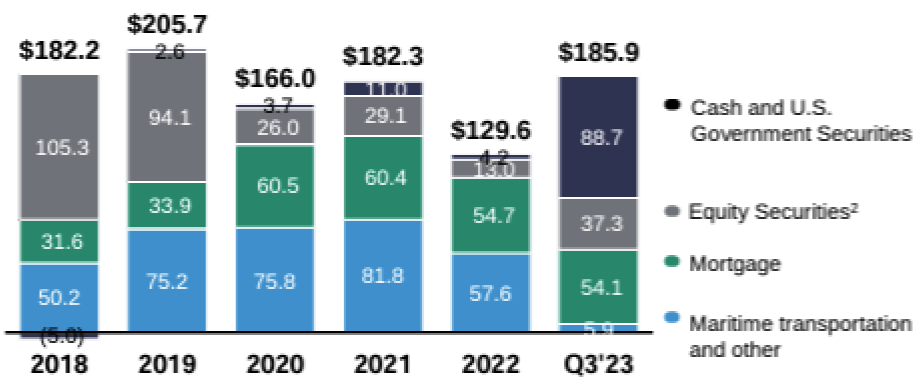

Figure 1: Tiptree Capital Equity Capital Allocation

Maritime Transportation:

- Tiptree Capital invested in the shipping sector from 2018-2022
- They exited their dry bulk and product tanker investments in 2022 at 45% above book carrying value

Mortgage Origination Business:

- All these operations are conducted through Reliance First Capital, LLC
- Residential mortgage origination company licenses to sell and service with Fannie/Freddie/Ginnie
- Revenues are primarily generated from gain on-sale income, loan fee income, servicing fee income, and net interest income
- I don't think any of us want to get lost in the complexities of the mortgage origination business, but the thing I will say for this segment is that while YTD it is at a loss of $2.5mm we can hopefully expect this to turn around.

- This segment was an obvious beneficiary of the lower-rate environment that existed post-COVID.
- Management has made clear that this is for sale at the right price and time

Equity Securities:
- As of December 31st Tiptree Capital owns 16.98mm shares or approximately 30% of Invesque
- Invesque is a real estate investment company that specializes in health care real estate and senior living property investment throughout North America
- They acquired this stake in Invesque via a sale of Care Investment Trust to Invesque in 2018

The way I think of Tiptree capital is that it is effectively a built-in PE fund within Tiptree with no mandate on what they can do. Wherever the CEO/management sees value or mispricing they engage. They don't necessarily like owning businesses forever and tend to exit whenever they can get a decent price for the business. The Tiptree capital segment is seen as much more opportunistic in both purchases and sales.

Tiptree Capital Historical Performance:

This is just an overview of the past investments that they have pursued and the delivered MOIC and IRR.

Category	Investments	Invested Capital	Realized Investment	MOIC	IRR
Financials	Realized: MFCA, Telos, PFG, Siena, CLO sub-noted, hedges, Luxury	310.1	604.3	1.9x	25.30%
	Unrealized: Reliance, credit investment	161.5	-		
Real Assets	Realized: Star Asia, Care	179.9	288.2	1.6x	21.50%
	Unrealized: Invesque, Marine	24.4	-		
Tiptree Capital	**Realized**	490	892.5	1.8x	24.50%
	Unrealized	185.9	-	-	-

Figure 2: Realized Investment IRR% and MOIC

The main point here is that we hope that this segment will be worth at least book value. For FY2022 they delivered net profit before tax of $32.3mm. I am very confident that this segment should be worth more than book value.

As of Q3 2023 equity in Financials was $162mm and equity in Real Assets was $24mm. I think it will be fair to value it on this basis for a basic SOTP build. This leads to a per-share value of $5.06/share ($162mm + $24mm / 36.7mm DSO).

Fortegra Business History:
- 1978: Life of the South was founded as a Regional Monoline Insurer
- 1994 – 2003: Strategic acquisitions coupled with organic growth. Expanded product and service offerings
- 2009 – 2010: Name changed to Fortegra Financial. Through acquisitions, expanded into Motor Club and Premium Finance businesses
- 2010: Fortegra IPOs on the market
- 2012: Through acquisitions, begin offering service contracts and protection plans for consumer products such as mobile devices, furniture, electronics, appliances and more
- 2014: Tiptree acquires Fortegra for $218mm in cash
- 2016: Fortegra becomes a multiline specialty insurer with expansion into specialty markets
- 2018: Expanded globally with Fortegra Europe Insurance Company Limited (FEIC Ltd.)
- 2020: Exceeded $1.6 billion in premiums and premium equivalents. Launched E&S company Fortegra Specialty Insurance Company
- 2021: Warburg Pincus pursues a strategic investment in Fortegra after the failure of the IPO
- 2023: Tiptree files to take Fortegra public

Excess and Surplus Lines:
The E&S market largely resulted from historical and legal factors that made it impossible or impractical for the regular or "admitted" insurance market to respond to consumer demands for coverage.

Non-admitted insurance is any coverage that is placed with an insurer that is not licensed to transact business in the state where the insured risk is located. Therefore, admitted insurance refers to insurance with an insurer that is licensed to do business in the particular state where the risk is located. Since insurance is regulated at the state level, rather than by the federal government, an insurance company must meet licensing requirements (be admitted) in each state in which it wants to write business in the regulated or admitted market.

Excess and surplus lines are commonly used about non-admitted insurance. Although the terms "excess" and "surplus" have their separate meanings, it has become common to use the two terms interchangeably with the term "non-admitted insurance". But this is not always the case.

We are currently in a hard market in the E&S market. During these hard markets, E&S insurers see an increase in the number of insureds coming to them in search of coverage that is hard to obtain or unavailable in the standard or admitted market. This dynamic shows how a hard market generates more business for the E&S insurers and how the non-admitted market tends to solve availability problems in the admitted market.

Relatively the surplus lines market is deregulated. Surplus line insurers are free from certain aspects of insurance regulation imposed on their admitted counterparts, the most widely recognized of which is the freedom from rate and form regulation. This enables surplus line carriers to charge a premium that is appropriate for a given degree of risk. Without this ability, surplus lines insurers would be unable to offer coverage for high-risk exposures or unique and emerging risks and therefore would be unable to fulfill their roles of ensuring availability within the insurance economy.

Generally, there is very little academic research or literature that focuses on this segment of the insurance industry. Historically, business written by surplus lines insurers comprised a small portion of total insurance premiums.

Fortegra Financial Overview:

($ in millions)	Nine Months Ended September 30,		Year Ended December 31,			
	2023 (Unaudited)	2022 (Unaudited)	2022	2021	2020	2019 (Unaudited)
Gross written premiums and premium equivalents	$ 2,440	$ 1,957	$ 2,681	$ 2,194	$ 1,667	$ 1,297
Net written premiums	936	844	1,089	895	544	537
Earned premiums, net	826	662	905	686	478	499
Service and administrative fees	290	233	321	261	187	106
Total revenues	1,160	903	1,249	984	691	635
Income before taxes	86	39	68	70	27	37
Net income attributable to The Fortegra Group, Inc.	63	27	46	49	23	27
Adjusted net income[1]	$ 83	$ 60	$ 84	$ 67	43	33
Key Ratios:						
Loss ratio	40.3 %	37.7 %	37.7 %	35.1 %	36.2 %	28.7 %
Acquisition ratio	36.3 %	39.2 %	39.0 %	38.7 %	36.9 %	47.0 %
Underwriting ratio	76.6 %	76.9 %	76.7 %	73.8 %	73.1 %	75.7 %
Operating expense ratio	13.9 %	13.8 %	13.7 %	16.5 %	17.9 %	16.6 %
Combined ratio	90.5 %	90.7 %	90.4 %	90.3 %	91.0 %	92.3 %
Return on average equity	22.9 %	12.1 %	14.6 %	17.1 %	8.1 %	10.7 %
Adjusted return on average equity[1]	30.3 %	25.8 %	26.1 %	22.2 %	15.2 %	12.3 %
Pro forma earnings per share of common stock (Unaudited)[2]:						
Basic	$ 0.94	$ 0.46	$ 0.77			
Diluted	$ 0.91	$ 0.46	$ 0.76			
Pro forma weighted-average shares of common stock outstanding (Unaudited):						
Basic	61,165,408	54,420,174	56,122,795			
Diluted	68,547,048	54,601,481	56,708,367			

Figure 3: Fortegra Financials

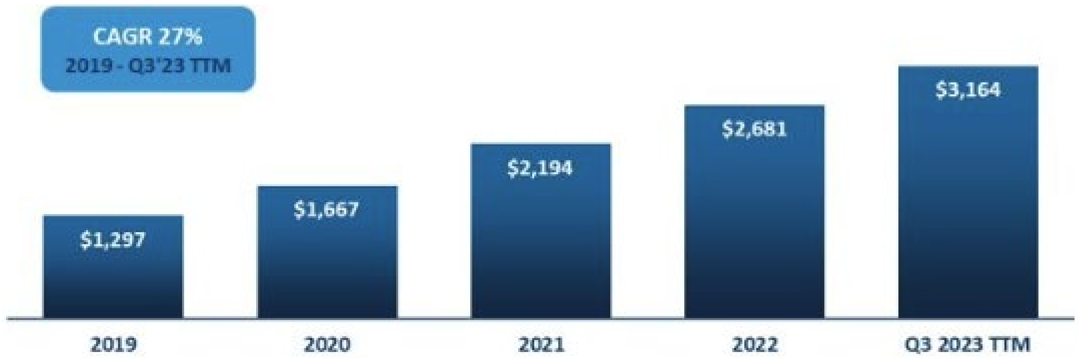

Figure 4: Fortegra GWPPE Growth

GWPPE (gross written premiums & premium equivalent) has grown at a 27% CAGR since 2019. Many of Fortegra's products are multiyear policies where premiums are earned over the life of the policy. So as gross premiums written gross, Fortegra's earned premiums tend to lag. This creates the balance sheet item of "unearned premiums and deferred revenue". This unearned premium balance sheet item creates a benchmark for Fortegra's future earnings.

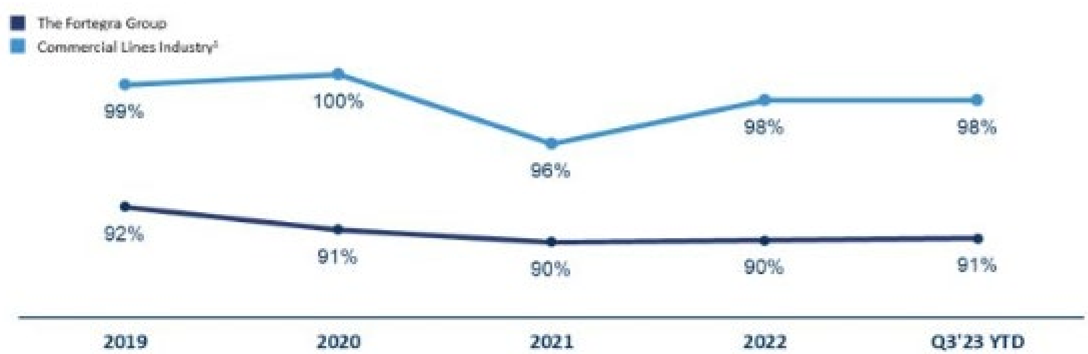

Figure 5: Fortegra Combined Ratio

Fortegra has been consistently profitable. They have consistently performed with a combined ratio in the low 90s with a standard deviation of 1%. This is exceptional and stands out relative to an insurance peer group with an average combined ratio standard deviation of 5% over the last 13 years.

Although not included in the graph above, the combined ratio for 2017 and 2018 was also 92%. For 2016 and 2015 the combined ratios were 90.2% and 89.1% respectively.

<u>Fortegra's Underwriting Niche:</u>
Fortegra specifically focused on specialty insurance products which are generally focused on underserved markets or require niche product knowledge. They design, market, and underwrite specialty commercial and personal property and casualty insurance products incorporating value-added coverages and services for select target markets or niches. They serve markets that larger and less agile insurers are not able to tap.

This approach allows them to compete by offering customized coverage and solutions, rather than competing solely on price.

Fortegra lines of business with lower risk limits and use risk mitigation to limit both aggregation and catastrophic exposure. Fortegra has been able to produce superior underwriting results through a more granular spread of risk.
¾ of their revenue stems from the specialty insurance lines in the US mentioned are below and the remaining ¼ comes from warrant products/services.

U.S. Insurance:

a) Commercial Lines
    - Primarily admitted and E&S lines
    - A substantial portion of the underwriting risk is transferred to third-party reinsurers for which Fortegra is paid a ceding fee
    - Generally, 30-60% of the premium is retained on a net basis
    - General liability, professional liability, property, and other short-tail
    - General liability provides insurance for general and occurrence-basis other liability, commercial multi-peril liability (protects businesses against general claims involving bodily injuries and property damage)
    - Professional liability covered damages or injuries to others on your personal property
    - Property and other short tail provides coverage for commercial auto physical damage, commercial property, earthquake, homeowners, and inland marine

b) Personal Lines
    - Credit insurance, collateral insurance, non-standard auto insurance, and other niche personal lines
    - Credit insurance products offer consumers and lenders protection from life events that limit a borrower's ability to make payments on outstanding loan balances. These products offer consumers and lenders the option to protect loan balance repayment in the event of death, involuntary unemployment or disability
    - The collateral insurance products are designed to protect the lender from losses to collateral pledged to secure an installment loan. In most instances, these products offer lenders the option to protect collateral from a comprehensive loss due to fire, wind, flood, and theft. If the collateral is an automobile, the coverage does protect against collision losses.

U.S. Warranty Solutions:

- Provides consumers with protection from covered losses on automobiles, mobile devices, consumer electronics, appliances, and furniture in the United States
- Offerings include vehicle services contracts, roadside assistance and motor clubs, automobile dent and ding repair, key replacement, cellular handset protection, and service contracts on other consumer goods
    - The service contract products specifically offer benefits such as replacement, service, or repair coverage in the event of mechanical breakdown, accidental damage, and water or spill damage. A large portion of their service contract products are extensions of coverage provided by OEMs.
- They are active in all 50 U.S. states

Europe:

- This is a new expansion that they started in late 2022 and intends to offer all of the coverage offered in the U.S. Warranty Solutions segment
- They are still rolling out all of the lines in Europe

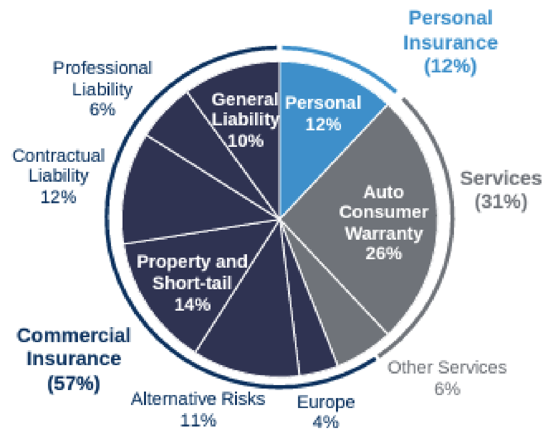

Figure 6: Fortegra Lines of Business Segmentation

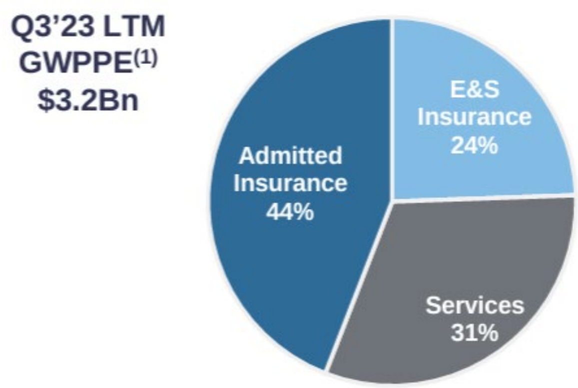

Figure 7: Fortegra Lines (Admitted vs E&S vs Services)

<u>Fortegra's Distribution Channel:</u>
For the warranty segment, policies are distributed through Fortegra's network of partner MGAs, wholesale agents, retail agents, brokers, and mobile device retailers. Fortegra hires experienced underwriters with a proven track record of underwriting profitability. This approach accelerates and de-risks Fortegra's entry/expansion within particular business lines. Fortegra thus effectively benefits from the underwriter's prior experience within a particular line of business without the cost and volatility associated with carriers solely reliant on unproven, blue-sky initiatives.

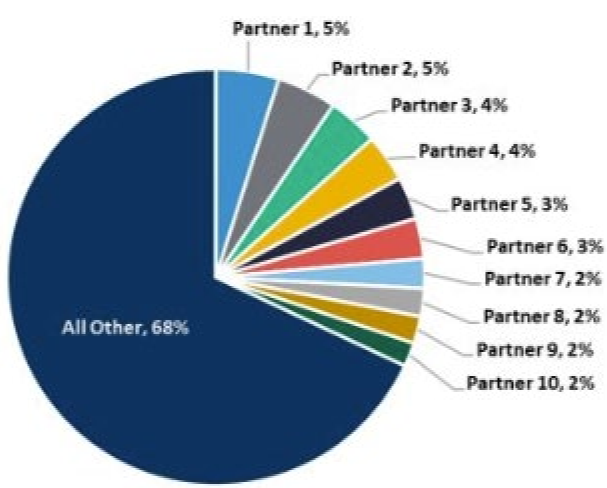

Figure 8: Overall Fortegra Partner Distribution

Aligned Management:
Fortegra's CEO is Richard Kahlbaugh. He used to be the CEO of Volvo's Global Insurance Group. He then joined Fortegra as COO in 2003 and became CEO in 2007. VIC author 'bigvic' has talked to Richard and from his impressions the CEO came off as conservative. And bigvic states that alongside his conservatism he has consistently/accurately predicted the sustainability of the 'hard' market. Therefore, it is argued to be conviction-building that Richard still expects growth to continue in both Fortegra's U.S. and EU geographies.

Alongside competent management, there is also a significant alignment of interests with over 33% insider ownership as of October 6th, 2023. There hasn't been much insider activity lately, just relatively small buying activity.

Claims Management:
Nithin and I had talked to Professor Richard Woollams from Columbia who used to serve as the President of Global Commercial Claims at AIG. He said that focusing on insurance companies' claims strategy is very important. While we did not necessarily do this for ACIC, we can do it for TIPT.

TIPT organizes its claims department by lines of business, with specialized teams aligned by the line of business in which they have expertise. For certain lines of business that have a high frequency of claims and low severity, Fortegra utilizes Third-Party Agents (TPAs) to process claims. This allows them to allocate the rest of their claims professionals to focus on more complex claims and enhances the efficiency of the claims department.

Key Competitive Advantages:

1) Focus on Niche, Underserved Specialty Lines with Significant Fee-Based Income
    a. They pursue and acquire agents with select books of business that they believe will maintain risk-appropriate rates and agents that have underwriting expertise in select specific niches
    b. They target lines of business that are overlooked by the standard market
        i. They target lines that are highly profitable, have the potential to grow, are underserved by competitors, and have higher barriers to entry
        ii. Focus on establishing quality client relationships and emphasizing customer service
        iii. They have a unique ability to source niche programs that meet their risk requirements through their extensive distribution network
        iv. Their underwriting expertise, proprietary technology, and deep distribution relationships allow them to serve specialty markets and capture share
2) Scalable, Proprietary Technology that drives Efficiency and delivers Premium Customer Service
    a. Significant flexible technology infrastructure that allows Fortegra to launch new insurance and fee-for-service programs and expand GWPPE volume quickly and seamlessly without significant incremental expenses
    b. Technology stack delivers low-cost, highly automated underwriting and administration services to Fortegra's partners without substantial up-front investments
    c. Furthermore this technology stack allows for both underwriting of policies and processing of claims more efficiently than small competitors
3) Strong economic alignment and risk sharing with distribution partners through sliding scale commission structures where agent compensation increases with underwriting performance
    a. These retrospective commission agreements help maintain Fortegra's lower combined ratio as increasing losses are penalized with lower commissions paid to underwriters and vice versa. The result is:
        i. Increasing alignment
        ii. Increasing retention (95% persistency rate with insurance producing agents over past 5 years)
        iii. Attracting high-performing agents

Fortegra currently has a rating of "A-" (Excellent) from A.M. Best. This too sometimes can be considered a competitive edge on its own. But I think there are better qualitative points to latch onto.

Growth Runway:
As mentioned earlier, given the longer time period of policies that Fortegra writes there are significant unearned premiums and deferred revenue. As of today, the current unearned premium and deferred revenue stand at $2.3bn.

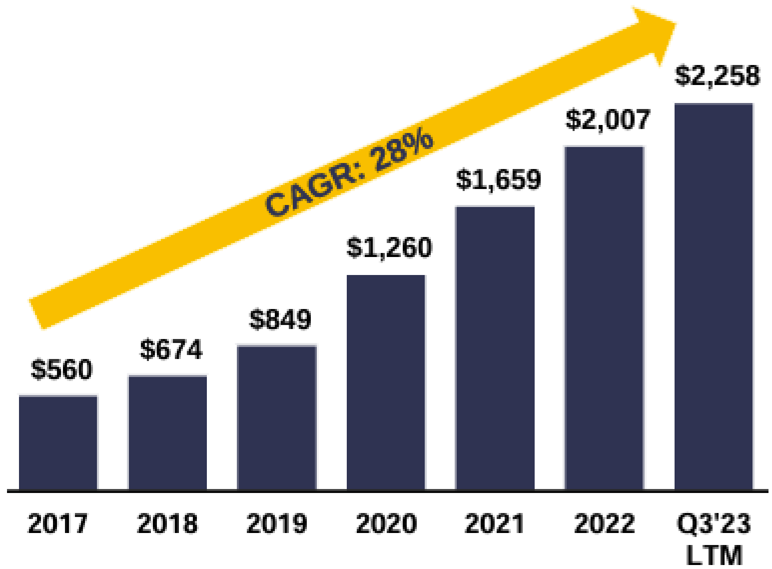

Figure 9: Unearned Premiums & Deferred Revenues

Management is currently guiding that they will continue to target smaller lines with $2-10mm in annual volume. Management also estimates that the total E&S market as a whole is close to $98bn.

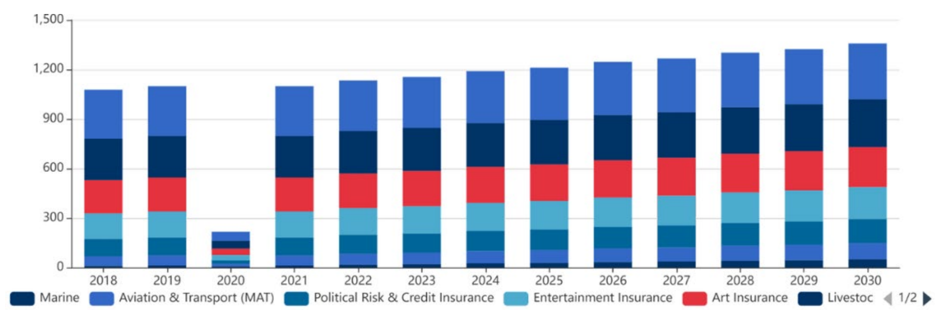

Figure 10: Specialty Insurance Market TAM & Growth

According to a 2023 market research report by Cognitive Market Research. The U.S. market for specialty insurance is expected to reach approximately $143 billion by 2030.

The U.S. product warranty market was estimated at $1.9 billion in 2022 and grew by an average annual growth rate of 5.8%. So like a GDP +200bps grower. This is according to IBISWolrd.

<u>Reinsurance:</u>
Unfortunately, unlike ACIC or other insurers that I have seen TIPT does not provide a graphical representation of their reinsurance stack which would make like easier, but unfortunately is just not there.

Need to work on this. Potentially create our own graphical illustration to better understand it.

<u>Tiptree Capital Overview:</u>

<u>Quick Theses:</u>

1) True value of Fortegra hidden by the current complex Holdco structure
    a. This discount goes away once people realize the true quality of Fortegra as a standalone business
    b. High likelihood of spinoff given that Fortegra has already filed an S-1

c. Kind of like a SOTP, but a very clear and definitive value-unlocking event

Warburg Pincus Transaction Overview:
October of 2021

$120 million common equity and $80 million convertible preferred which represents 24% ownership interest in Fortegra on an as-converted basis.

$140mm was used to repay existing Tiptree indebtedness. The remaining $60mm was used to support Fortegra's growth opportunities.

The $120mm investment represents approximately 17.5% of the company. This translates into a $691mm post-money equity value for Fortegra. This also included a 33% warrant coverage at a 33% valuation premium. For these warrants to be in the money/worth anything

The $80mm investment in the convertible preferred shares represents an additional 6.6% of the company on an as-converted basis. The prefs yield 8.0 %/annum payable in cash or in-kind.

We can also look at this from a per-share basis to make some of the maths easier. Warburg Pincus agreed to purchase 10,666,667 shares of Common Stock, 3,520,000 warrants, 5,333,333 shares of preferred shares and 1,712,511 additional warrants. This represents approximately 26% of the pro-forma fully diluted shares outstanding.

The warrants have a fixed seven-year term commencing at the closing, with an initial exercise price of $15.00 per share of common stock.

After the closing, the authorized capital stock of the Company will consist of 400,000,000 shares of Common Stock and 100,000,000 shares of preferred stock, of which 5,333,333 are designated Series A Preferred Stock. At the closing, 57,779,527 shares of Common Stock, including 1,856,660 shares of Restricted Stock, are issued and outstanding. 3,733,333 shares of Series A Preferred Stock are outstanding.

Quick & Dirty Valuation:
VIC user bigvic valued Fortegra based on the 2021 investment that Warburg Pincus made into Fortegra. I think this provides a very quick and brief framework for us to also value Fortegra just to get an idea of the mispricing and potential upside.

In late 2021, Warburg Pincus bought 24% of Fortegra at an implied valuation of ~800mm USD. Warburg Pincus paid 13.5x adjusted net income for their Fortegra investment. Since then, Fortegra's adjusted net income has increased from $47mm to $107mm. So then bigvic slaps on the same 13.5x multiple to LTM adjusted net income which implies that Fortegra is worth ~$25.37/share to TIPT shareholders.

Napkin Math:
13.5 x 107mm = 1,444.5mm
1,444.5mm x 0.731 = 1,055.9mm
1055.9mm / 36.7mm (DSO) = $28.77

As of today, TIPT shares trade at $18.50. This only represents a 37% upside, but this obviously excludes the future growth potential of Fortegra (maybe the 13.5x multiple is not fair?) and the existing business of Tiptree capital.

The most conservative way to model Tiptree capital is to just value it on a book value basis which is approximately $5.06/share.

This leads to a preliminary target price of $30.43/share which would represent an approximate 64.5% upside in a very conservative base case.

(Net Income is adjusted to include net investment income, and excludes net unrealized gains and losses in the investment portfolio)

Comps Tables:

Below is a table comparing the combined ratio among the peer group:

Fortegra Insurance Speciality Group Profitability Ratio	2015	2016	2017	2018	2019	2020	2021	2022	Mean	St. Dev.
Combined Ratios										
Markel	89.00%	92.00%	105.00%	98.00%	94.00%	-	90.30%	91.70%	94.29%	4.80%
RLI Corporation	84.50%	89.50%	96.40%	94.70%	91.90%	92.00%	86.80%	84.40%	90.03%	3.98%
AIG	110.10%	118.90%	117.30%	111.40%	99.60%	104.30%	95.80%	91.90%	106.16%	8.73%
Allianz SE	94.60%	94.30%	95.20%	94.00%	95.50%	96.30%	93.80%	94.20%	94.74%	0.76%
Average	94.55%	98.68%	103.48%	99.53%	95.25%	97.53%	91.68%	90.55%	96.30%	4.57%
Fortegra	89.10%	90.20%	92.60%	92.20%	92.40%	91.50%	90.60%	90.70%	91.16%	1.08%

Figure 11: Specialty Insurers Combined Ratios vs. Fortegra

When looking at the proxy peer group I decided to look specifically at specialty insurance companies. I think multiples tend to be useless, but I think that in this case, they can provide a very rough framework for whether the 13.5x ANI multiple that we used in the quick and dirty valuation is reasonable.

Overall, the story is that Fortegra is a mid to high teens ROE business. Peers trade significantly above a 13.5x ANI multiple with comparable/inferior ROEs and growth runways.

Fortegra Historical ROE						
Year	2018	2019	2020	2021	2022	Q3 2023
ROE	**12.40%**	**12.40%**	**15.20%**	**22.20%**	**26.10%**	**27.50%**

Figure 12: Fortegra Historical ROE

Relative Valuation Comparable Companies											Mean	Median
Insurance Company	**AMSF**	**WRB**	**CINF**	**MKL**	**AFG**	**RLI**	**AIZ**	**KNSL**	**JRVR**	**PLMR**		
2023 EPS Consensus:	2.85	4.83	5.62	79.51	10.67	4.83	14.59	12.03	1.99	3.52		
2024 EPS Consensus:	2.45	5.77	6.2	93.1	11.8	5.47	15.18	14.37	2.04	4.03		
2023 P/E:	16.85	15.16	18.36	17.62	10.92	28.30	11.75	28.39	4.69	17.90	16.99	17.24
2024 P/E:	19.60	12.69	16.64	15.05	9.87	24.99	11.29	23.77	4.57	15.64	15.41	15.34
Historical Median P/E:	**15.53**	**14.78**	**16.00**	**26.44**	**12.92**	**21.36**	**18.12**	**N/A**	**N/A**	**N/A**	**17.88**	**16.00**
2023 BVPS Consensus:	14.3	27.63	68.77	1039.78	47.98	28.28	86.31	43.03	13.08	17.7		
2024 BVPS Consensus:	13.91	32.17	71.74	1173.53	54.1	31.35	97.61	56.87	14.69	21.03		
2023 P/B:	3.36	2.65	1.50	1.35	2.43	4.83	1.99	7.94	0.71	3.56	3.03	2.54
2024 P/B:	3.45	2.28	1.44	1.19	2.15	4.36	1.76	6.01	0.64	3.00	2.63	2.21
2023 ROE:	19.9%	17.5%	8.2%	7.6%	22.2%	17.1%	16.9%	28.0%	15.2%	19.9%	17.25%	17.28%
2024 ROE:	17.6%	17.9%	8.6%	7.9%	21.8%	17.4%	15.6%	25.3%	13.9%	19.2%	16.53%	17.53%
Historical Median P/B:	**2.40**	**1.72**	**1.56**	**1.44**	**1.58**	**3.66**	**1.23**	**N/A**	**N/A**	**N/A**	**1.94**	**1.58**

Figure 13: Fortegra Comps Table

Appendix:

Exhibit 1: Fortegra Ownership Structure (Fully Diluted, Assuming Warburg Pincus exercises all stock options)

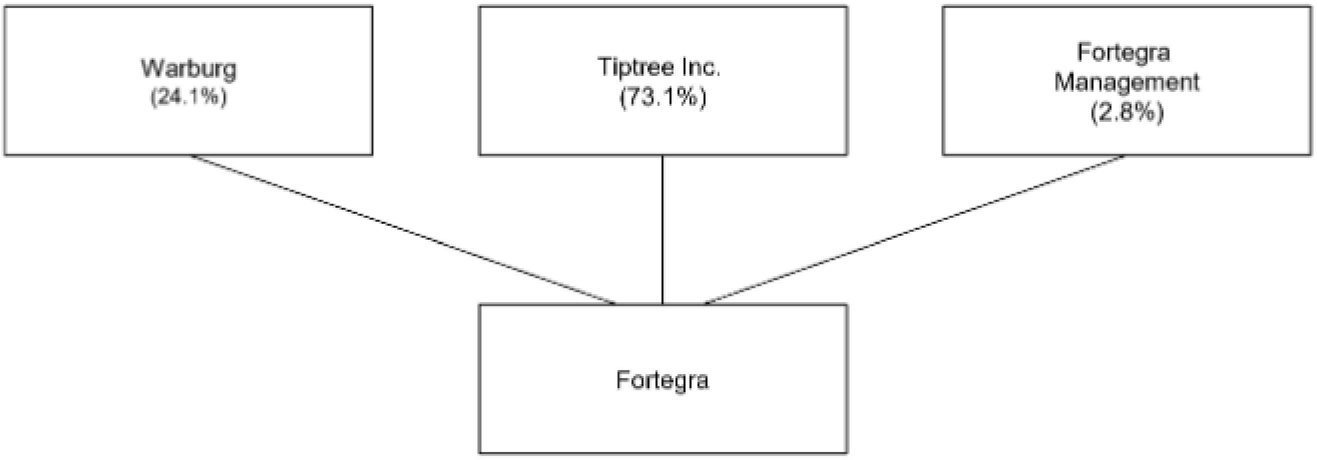

Exhibit 2: Links to VIC pitches on TIPT
https://valueinvestorsclub.com/idea/TIPTREE_INC/1233108520#description
https://valueinvestorsclub.com/idea/TIPTREE_INC/5714089950

Exhibit 3: Definitions

1) Excess and Surplus (E&S) Lines: Excess and surplus lines insurance is any type of coverage that cannot be placed with an insurer admitted to business in a certain jurisdiction.
2) Producer-owned reinsurance captive (PORC): This is a type of captive reinsurance company that underwrites risks of an affiliated operating business by means of having those risks first directly underwritten by a fronting insurance company which then cedes those risks on through to the captive as reinsurer. The insurance is "producer-owned" in the sense that the producer of the initial insurance contract owns the captive.
3) Acquisition Ratio:

Exhibit 4: Summary of Tiptree Annual Letters Re: Fortegra Since 2014

2014:

- When conducting due diligence found the two key factors they care most about in a business: quality management and quality earnings
- Rick Kahlbaugh (Fortegra's then and current CEO) had provided impressive leadership over the past five years and they are looking to partnering with him in the future
- They saw it to be a stable and growing business

2015:

- Describe Fortegra as an insurance and warranty business with high frequency but low severity of claims
- They used Fortegra's excess cash flow to repay debt incurred to acquire Fortegra and re-invest in Fortegra's business
- Attributed growing demand for non-bank consumer finance and auto warranty and insurance products for Fortegra's great financial performance

2016:

- Contributed approximately $103mm of capital to Fortegra to better capitalize the company, this allowed for the rating to be upgraded to A- from A.M. Best
- They saw the upgraded rating as providing substantial opportunities for growth and product expansion

- Net Premiums Written were $337mm (up 85.2% YoY), the increase in NPW was driven by their captive reinsurance subsidiary assuming $138mm of previously ceded credit protection premiums, resulting in a significant decrease in reinsurance costs and gaining additional investment capacity

2017:

- They focus on products providing niche and specialty coverages which they believe allow them to focus on sectors of the insurance market that among other characteristics are underserved or require specialized product knowledge
- Emphasized their focus on risk exposures that result in high frequency and low severity claims activity and have limited exposure to catastrophic events
- The larger capital base allowed them to make the strategic decision to increase the retention of the premiums they write going forward, which would mean that both net written premiums and earned premiums should continue to grow significantly

2018:

- 2017 and 2018 were record years for catastrophes but Fortegra's financial results were not impacted
- Net premiums grew from $182.1mm in 2015 to $418mm in 2018. This has been supported through the contribution of capital in 2016, refinancing their debt with 40 years notes in 2017, and re-investment of earnings
- They continued to expect growth to continue through established efforts in the U.S., new operations in Europe, and potentially through acquisitions if they find the right deal

2019:

- Extended service contracts (warranties) are a natural extension of Fortegra's product offerings and share characteristics that have generated success
- They believe that offering a vertically integrated product set (including insurance, administration, roadside assistance, and premium finance) gives them a competitive advantage versus other market players
- Completed the acquisition of Smart AutoCare which advances Tiptree to a leading position in warranty and niche insurance products according to management
- The expansion of insurance in Europe gained solid traction in 2019 generating $32mm million of premiums

2020:

- Launch of Fortegra Specialty Insurance Company which would provide additional growth opportunities in the excess and surplus product lines

2021:

- The combination of unearned premiums and deferred revenues on the balance sheet grew to $1658.8mm, up $399.1mm (32% YoY)
- $200m investment in Fortegra from Warburg Pincus which upon closing resulted in an approximate 24% ownership of the business on an as-converted basis

2022:

- Many of Fortegra's products are multiyear policies where premiums are earned over the life of the policy
- Unearned premium base provides a solid and stable base to Fortegra's future earnings

Exhibit 5: Premiums Earned by Individual Line of Insurance (hardcoded)

	2020	2021	2022
Premiums Earned			
Fire	562,336	23,198,371	62,802,384
YoY growth (%)		*4025.36%*	*170.72%*
Homeowners multiple peril	7,800,753	7,236,693	9,896,760
YoY growth (%)		*-7.23%*	*36.76%*
Commercial multiple peril	5,468,179	7,895,330	14,544,659
YoY growth (%)		*44.39%*	*84.22%*
Inland marine	53,234,584	52,826,186	50,289,259
YoY growth (%)		*-0.77%*	*-4.80%*
Earthquake	1,071,227	1,240,381	896,832
YoY growth (%)		*15.79%*	*-27.70%*
Other accident and health	8,699,150	4,623,863	6,706,262
YoY growth (%)		*-46.85%*	*45.04%*
Other liability-occurrence	80,619,576	136,365,280	164,626,575
YoY growth (%)		*69.15%*	*20.72%*
Other liability-claims-made	7,471,017	19,531,373	42,021,123
YoY growth (%)		*161.43%*	*115.15%*
Private passenger auto liability	7,643,527	10,761,735	5,851,674
YoY growth (%)		*40.80%*	*-45.63%*
Other commercial auto liability	0	0	20,097,125
YoY growth (%)		-	-
Auto physical damage	46,099,533	36,714,895	53,674,093
YoY growth (%)		*-20.36%*	*46.19%*
Fidelity	0	0	(33,023)
YoY growth (%)		-	-
Surety	1,765,093	2,176,965	3,388,212
YoY growth (%)		*23.33%*	*55.64%*
Boiler and machinery	0	0	(43,800)
YoY growth (%)		-	-
Credit	11,236,677	12,420,387	32,582,014
YoY growth (%)		*10.53%*	*162.33%*
Warranty	22,765,323	25,898,420	29,262,631
YoY growth (%)		*13.76%*	*12.99%*
Aggregate write-ins for other lines of business	5,959,823	13,584,366	19,222,686
YoY growth (%)		*127.93%*	*41.51%*
Total Premiums Earned	**260,396,798**	**354,474,288**	**515,785,473**
YoY growth (%)		***36.13%***	***45.51%***