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Quiet And About To Boom

- A Cautious Insurance Company Gains Momentum
- Covering Everything From Malpractice To Terrorist Attacks



FROM THE DESK OF PORTER STANSBERRY

SPECIAL REPORT

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Quiet And About To Boom

A Cautious Insurance Company Gains Momentum

Covering Everything From Malpractice To Terrorist Attacks

It took the mercury about 10 years to turn Hermann Biow's liver into Swiss cheese.

Before that, though, Germany's top daguerreotype artist did pretty well for himself.

Celebrated across Berlin, Hamburg, and Dresden for his pleasing portraits of politicians, scientists, and society ladies, Biow spent the 1840s perfecting the new medium of daguerreotype. He carefully dipped silver-coated copper plates in a mercury bath to reveal images that – shortly after the invention of photography – seemed miraculous to many viewers.

It was in 1842 – before the toxic fumes from the mercury-heavy daguerreotype process eroded his health – that Biow left his mark on history, with three haunting, silver-toned images that would change the world of journalism forever by making photography part of the equation.

No one realized it at the time, but the prints also captured a moment in time that marked the birth of a brand-new global industry.

More about that in a moment....

Biow's three iconic daguerreotypes are eerie, almost post-apocalyptic. Seen through a thin patina of age and smoke, they depict leafless trees, ancient-Rome-like ruins, and the spire of a burnt-out cathedral. They're on display today in the Hamburg Historical Museum.

The three photos record the immediate aftermath of the devastating "Great Fire of Hamburg" – a conflagration that started on May 5, 1842, in a cigar factory. Over the next three days, the fire burned down about 1,700 wood-timbered, thatch-roofed buildings, killing 51 people and leaving 20,000 (a third of Hamburg's population) homeless.



Still perfecting his photography techniques early in his career, Biow set up his equipment outside the smoldering ruins of Hamburg largely as an experiment. At the time, daguerreotypes needed extended exposure times of up to 30 minutes – which made it challenging (and sometimes blurry) to film humans, but easy to document the stillness of a deserted, burned-down city.

He didn't know just how groundbreaking those shots would prove to be... or what he'd truly captured on copperplate...

Biow's pictures of the burnt-out shell of Hamburg are the first known instance of photojournalism – a real-time news event recorded on film, on location. Today, of course, every news article comes with a picture... but Biow's Hamburg images are the first on record. They were soon shared far and wide, published and re-published in local papers... and changed how we report and consume the news.

Biow's fashionable daguerreotype career took off thanks to the Hamburg photos. But success came at a price. Over the next few years, toxic mercury fumes leached into his bloodstream and slowly perforated his organs. In 1850, shortly after opening a ritzy new studio in Dresden, Hermann Biow succumbed to "mad hatter disease," named for the mercury poisoning then common among hatters who worked with mercury-dipped felt.

Biow died at just 46 – without knowing that his famous images also documented the moment the \$642 billion global reinsurance industry came into being.

Burned Hamburgers

Reinsurance is insurance for insurance companies. Just like your therapist likely has a therapist, and your doctor also sees someone for an annual checkup, insurance companies – which cover everything from fender benders to terrorist attacks – have insurance companies to help share some of that risk.

It's an eminently sensible idea... but one that didn't catch on until *after* Hamburg got grilled.

Hamburg had insurance, of a sort. Acknowledging the dangers of living in a wooden city, businesses around town contributed to a fire insurance pot whose name translated to the "Hamburger-Fire-Fund." There were also various specialized insurance companies, notably ones that insured furniture, like Biebersche Compagnie and the Hamburgische Assekuranz Compagnie. Some of these even dabbled in a limited form of reinsurance, outsourcing a few policies to French or English insurance firms. But fears of competition and trade-secret theft kept those relationships to a minimum.

Now though, with buildings across town burned to the ground, all insurance proved equally useless. The Hamburger-Fire-Fund was maxed out, many of the smaller insurance companies went bankrupt, and the rest, as insurance historian Edwin Kopf writes, were "seriously embarrassed." (The town was eventually rebuilt, in brick this time, but it took 40 years and \$42 million, in today's dollars, in debt).

The Hamburg ruins – frozen in time by Hermann Biow's camera – also captured the attention of an entrepreneur and politician named Gustav von Mevissen, from the nearby town of Dulken. Watching the smoke rise, he realized that Hamburg's "embarrassed" insurance companies would have fared far better if they'd been, well, insured.

So, after some false starts and bureaucratic setbacks, von Mevissen in 1846 launched the first designated reinsurance company in history, Kölnische Rückversicherungs-Gesellschaft (known in English-speaking countries as Cologne Re). It's still around nearly 200 years later as part of Berkshire Hathaway's (BRK) insurance holding General Re (which should tell you something about the longevity and value of this particular type of insurance).

Today, reinsurance companies can be found wherever there is insurance – including, as you may have guessed, in this issue.

This company started out as a tiny insurer focused on providing coverage against accidents on drilling rigs and oil refineries in the Middle East, and has since expanded its footprint into more than 200 countries and 25 separate business lines, with reinsurance now making up less than 10% of its business. It's run by a pair of founders who together own more than 30% of the company. As a result, they run the business conservatively, which has translated into some of the best underwriting results in the industry. And we believe this stock could easily become the best performer in the Property & Casualty Insurance section of *The Big Secret* portfolio.

Why? Because unlike the well-known, widely followed insurance stocks currently in the portfolio, this is an undiscovered opportunity. It's valued at less than \$1 billion, and it has almost no coverage among Wall Street analysts, despite being one of the most profitable underwriters in the industry. As a result, this hidden gem trades for just over 7x earnings, compared with 20x to 30x or more for the more well-followed insurance companies with similar levels of profitability.

The business is priced like a no-growth value stock, even though it has consistently grown its policy premiums, book value, and earnings per share ("EPS") at double-digit rates for the last decade. The market is starting to take note, sending the shares up 60% year-to-date. We don't expect this one to remain under the radar for long.

The Best Insurance Company You've Never Heard Of

The company we're recommending is **International General Insurance (Nasdaq: IGIC)**, an insurance provider founded in 2001 by Middle East energy-insurance veteran Wasef Jabsheh and his son Waleed Jabsheh. Headquartered in the founders' home town of Amman, Jordan, the company writes policies in more than 200 countries around the world. Last year it generated \$689 million in gross policy premiums and \$118 million in net income.

The company's initial focus was on the small niche market of insuring energy companies in the Middle East. This included writing policies for onshore and offshore oil drillers, as well as for downstream refining facilities.

International General Insurance ("IGI") writes what is known as "non-standard" or specialty insurance. These policies deal with more complex and harder-to-analyze risks compared with standard insurance policies, like auto or homeowners insurance.

As we explained [in our recommendation](#) of fellow specialty insurer **Kinsale Capital (NYSE: KNSL)**, providing protection against harder-to-analyze risks doesn't necessarily make for a riskier business model. The advantage of insuring against more complex risks

is that specialty insurers can charge higher premiums versus their standard insurance counterparts. Plus, companies like IGI have more leeway to build customized protection clauses into their policies to limit their claims liability.

This ability to charge higher premiums and create bespoke contracts is how specialty insurers can generate higher returns, while also taking on less risk.

But that's easier said than done...

The Key Is Properly Managing Risk

The specialty insurance industry is littered with companies that failed to properly analyze and price these complex risks. The most common tale is one where an aggressive company seeks to quickly grow market share by undercutting its rivals on policy pricing. Inevitably, this strategy backfires when a large claim eclipses the amount of premiums collected, leading to defaults on policy owners and a wipeout for investors.

IGI hasn't fallen prey to that trap. Throughout its history, the company has pursued a slow and steady pace of expansion. The company refers to its core operating principle of "underwriting first," meaning it maintains a laser focus on only writing profitable policies, instead of chasing growth at all costs. As CEO Waleed Jabsheh explained on [a 2022 interview](#):

"Just like any other company we're ambitious to grow, but grow the right way... at the end of the day, we're not a top-line oriented company. We never have been and we never will be. We are focused on writing quality business and on profits – that's the reason why we consistently outperform the majority of our peers from an underwriting and combined ratio perspective. That is the ethos of what we do."

IGI's conservative approach of only writing high-quality policies at attractive prices meant it took several years to gain sales momentum. In 2005, four years after its founding, the company was only generating \$25 million in annual premiums. But it laid a robust foundation of a disciplined underwriting process, which set the stage for gradual expansion into new markets, starting with Europe and Africa. It followed the same methodical expansion into new business lines, adding an average of one new insurance category per year, such as marine transport for insuring ships and their cargoes during seaborne transport, and property insurance for industrial and commercial businesses.

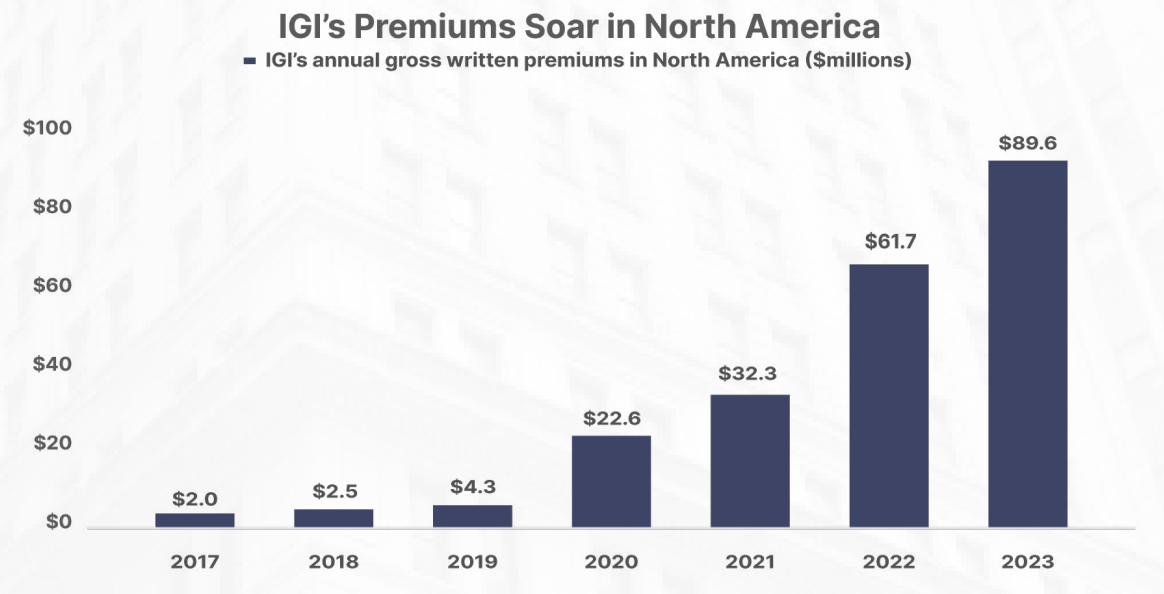
After the company had established its underwriting processes, it began expanding into new international markets. This included a major push into the UK, where it acquired SR Bishop Underwriting in 2009 (changing the name to North Star Underwriting). The UK has since become IGI's greatest source of business, representing 28% of the company's total premiums.

From 2005 to 2013, the company grew its premiums by nearly 10-fold from \$25 million to \$240 million through further expansions into Europe and South America. By 2017, Europe and South America grew to make up over 50% of its business, with the Middle East falling to 15%. The company had also added business lines, including writing insurance for the aviation industry, ports and shipping terminals, and professional liability that covers directors and officers of publicly traded corporations.

Making Its Way To America

IGI made its way to North America in 2017, but as usual, it started slowly and cautiously before making a big push to gather business in the region. That opportunity came in 2019, when insurance premiums in the U.S. began rising across the board, which for IGI meant being able to capitalize on attractive rates on new policies.

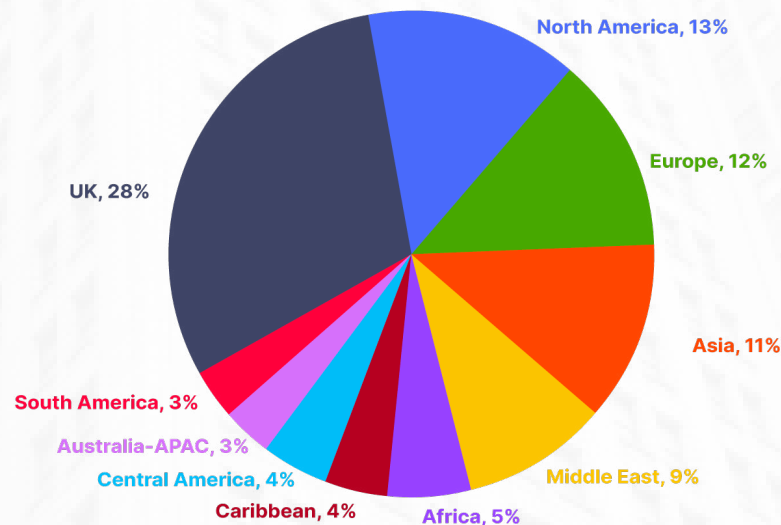
IGI seized the opportunity, and within just four years, its North American premiums surged more than 20-fold from \$4 million in 2019 to \$90 million by 2023:



After more than two decades of slow and steady growth, IGI has now transformed from a small Middle Eastern insurer into a major player in the global specialty market, with eight offices around the world.

Now, IGI does the most business in the UK, Europe, and North America, which together generate just over half of its premiums. The rest of its business is spread across a wide swath of the emerging world including Asia, Central and South America, Africa, and the Middle East:

IGI Gross Written Premiums by Geography (2023)



Its Three Main Areas Of Business

The company has also diversified across 25 types of insurance. These business lines are divided into three insurance types: short-tail insurance (58% of premiums), long-tail insurance (33% of premiums), and reinsurance (9% of premiums), which we detailed above.

IGI's **short-tail insurance** refers to policies that generate claims that are settled in a relatively short time frame, typically less than 12 months. An example would be a property insurance policy for a commercial building that provides coverage for 12 months, where IGI knows with a high degree of certainty whether a claim arises over the coverage period, and what its potential liability will be.

The company's largest segments in this category include its long-running energy business (21% of total premiums), its commercial and industrial property line (14%), and from policies that insure against liabilities for the construction and engineering industry (7%).

The smaller lines in IGI's short-tail category includes insurance policies for marine ports and terminals (4% of total premiums), contingency policies for event cancellations (3%), general aviation policies that cover accidents and damage to planes and passengers (3%), and marine cargo transport insurance (3%).

Finally, IGI's short-tail segment also includes political-violence policies that insure against terrorist attacks, riots, revolutions, and even wars (3% of total premiums).

If this last category sounds dicey, it's important to remember that IGI doesn't bear the full risk of, say, a mass terrorist attack. It manages the risk of each policy by setting strict limits on the amount of claims it's required to pay out. It also offloads a portion of certain policy risks to its reinsurance partners, which act like insurance for the insurance industry, by taking on a portion of the liability in exchange for a cut of the premium on a given policy.

The advantage of these short-tail insurance policies is they offer quick turnaround times, and thus provide the ability to react to market conditions. For example, if a major natural disaster causes excess damages for commercial and industrial properties in a given area, IGI can partially offset those losses by charging higher rates on renewal policies for the next year's coverage.

Long-tail insurance, which accounts for 33% of revenue, deals in policies in which the claims are often not reported within 12 months, and where final settlements can stretch out for years or decades. One example is a defect in a manufacturing product. IGI might write a policy for a company that produces a faulty product in year one, but the defect doesn't show up until year three. After the product defect is discovered, it might take another several years of investigation and legal processes to settle on a final claim.

Here again, the greater degree of uncertainty in determining claims liability doesn't necessarily translate into higher risk. IGI specializes in analyzing the potential liabilities of these long-tail policies, and only writes insurance on terms that it believes can generate a profit – even after accounting for the potential of major liabilities that can develop over many years.

Most of IGI's long-tail policies come from what it calls its professional lines business (27% of total premiums). These policies cover liabilities for corporations and professionals for malpractice lawsuits against doctors, workers' compensation benefits from injuries sustained on the job, liability from defective manufactured products, and false advertising liabilities to name a few.

IGI's other key long-tail segment comes from writing insurance for financial institutions (4% of total policy premiums). This insurance protects against lawsuits aimed at directors and officers of banks, credit card fraud, digital crimes, and theft from vaults or armored trucks.

The remaining 9% of IGI's business comes from reinsurance. As explained earlier, this business line involves taking on partial claims liability from other insurance companies in exchange for collecting a portion of the policy premiums. IGI's reinsurance partners write the same type of specialty policies that IGI focuses on. This segment allows the company to tap into a new source of growth by writing new policies for new customers in business lines it already has expertise in dealing with. It also provides an opportunity to diversify its risk exposure across another adjacent business line.

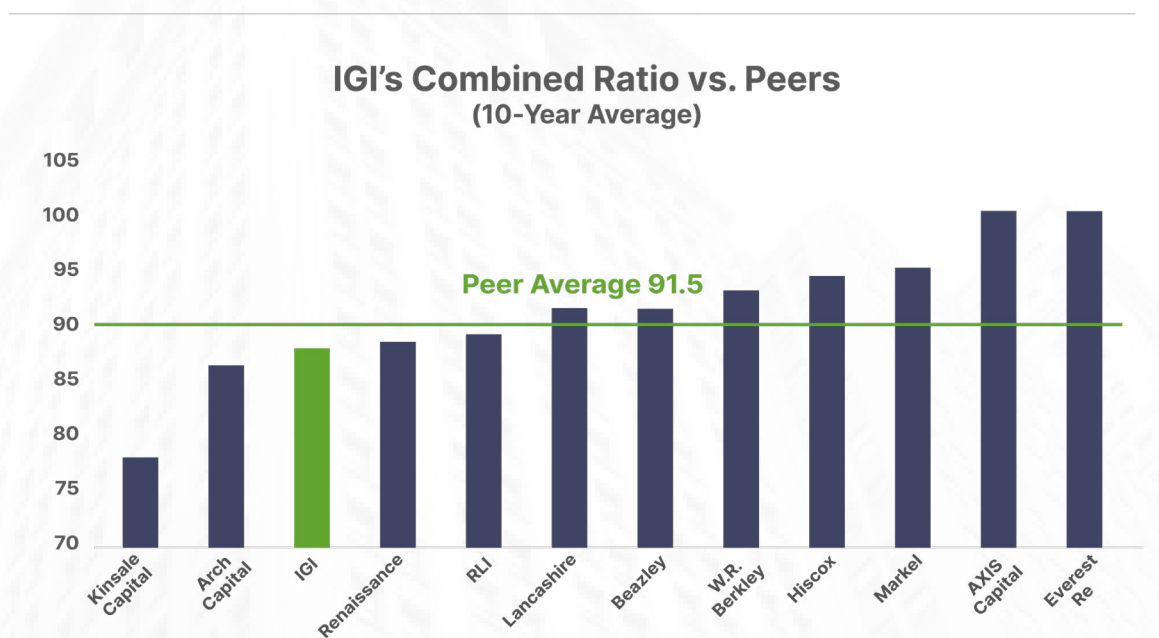
Spreading Risk And Creating Profits

In the same way that diversification across different stock sectors and asset classes reduces the risk of an investment portfolio, insurance companies control their risk by diversifying their potential claims liabilities across as many different policy types as possible.

Throughout its more than 20 years in business, IGI has done a masterful job at spreading its risk across a wide basket of different insurance policies. It has achieved this through diversifying across geographies (over 200 countries), insurance categories (short-tail, long-tail, and reinsurance) and through its 25 different business lines that insure a wide class of risks ranging from accidents on offshore drilling rigs to political violence.

By spreading its risk across a highly diversified portfolio, along with its core operating philosophy of "underwriting first," the company has proven to be among the best underwriters in the specialty-insurance industry.

We can see this in the key metric for underwriting profitability known as the combined ratio. This metric combines the loss ratio (the percentage of every dollar in premiums paid out in claims, or losses) and the expense ratio (the percentage of every dollar in premiums spent on operating costs). In the table below, we show how IGI's combined ratio falls near the low end of the range among its publicly traded peers in the specialty insurance industry:



As a general rule, any insurance company that consistently generates a combined ratio below 90 is a top-tier underwriter. IGI's average combined ratio of 86.7 over the last decade is a stellar metric that makes it one of the most profitable specialty insurers in the industry. This number indicates that the company earns an average of 13.3 cents on every dollar of policy premiums it collects from customers. That's better than all but two of its peers, **Arch Capital (Nasdaq: ACGL)** and **Kinsale Capital (NYSE: KNSL)** – both of which appear in [Porter's Permanent Portfolio](#) and the latter [we recommended](#) for *The Big Secret on Wall Street* in May.

IGI is also remarkably consistent in its underwriting results. The company has only suffered an underwriting loss in one of the last 10 years. In 2017, three major hurricanes in Florida and nearby parts of the U.S. caused a jump in IGI claims among its property and reinsurance business lines. This was an outlier year for the industry, with two category 5 hurricanes (Irma and Maria) and a category 4 storm (Harvey) all hitting back-to-back. IGI posted a combined ratio of 104 that year, but quickly recovered when it began raising its policy premiums, going on to generate an average combined ratio of 85.7 in the years since.

Expecting The Unexpected

While these outlier events are the unavoidable reality for the insurance industry, IGI has historically done a stellar job protecting the business against unforeseen losses. We can see this by analyzing a metric known as reserve developments, which is the amount of capital set aside in the form of cash reserves to cover expected policy claims, versus the amount of those reserves actually used to satisfy realized claims.

This is an area where insurers can run into trouble if they exercise poor risk controls, or attempt to juice short-term earnings results by not putting enough cash into reserve. When companies underestimate their future claims liabilities, they set aside too little capital relative to the amount they end up paying out to policyholders. This practice of under-reserving creates a short-term earnings benefit, because every dollar of reserves set aside for future claims takes away from the current period's reported earnings. But this strategy inevitably backfires when claims liabilities exceed reserves, resulting in capital shortfalls that can bankrupt an insurance company.

IGI does the opposite, consistently setting aside excess reserves beyond what it needs to pay out future policy claims. We can see this in the following table of IGI's historical reserves development, where positive figures indicate excess reserved capital that wasn't ultimately required to pay out claims. Note that the company has reported positive reserve developments in every year for the last decade, reserving an average of 10% in excess reserves as a percentage of its net policy premiums collected in each year:



In the short term, IGI's over-reserving depresses reported earnings for any given period. However, when these excess reserves aren't needed to pay out claims, they later flow back into the net income statement in future reporting periods.

We much prefer IGI's ultra-conservative approach to managing the business with an extra margin of safety, even if it depresses near-term earnings. And we appreciate the fact that IGI's management team is willing to take a short-term earnings hit in order to ensure the business has more than ample reserves to pay claims for its policyholders.

The company's conservative culture is a testament to the founders, Chairman Wasef Jabsheh and CEO Waleed Jabsheh, who have every incentive to create enduring, long-term wealth for shareholders. Together the father-son pair own 14.9 million shares, or 33.6% of the company, having kept the majority of their net worth tied up in the business since its founding.

As a result, their focus is on creating lasting wealth for shareholders while avoiding excessive risks. This gives us confidence that IGI will avoid the typical pitfalls we see among non-owner management teams that get paid handsomely whether the business thrives or not – a problem that plagues, for example, Bank of America (BAC).

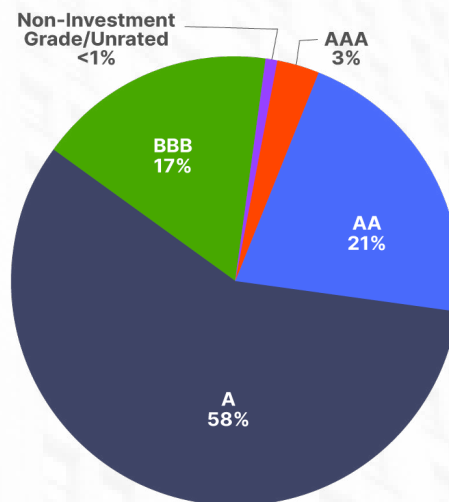
On Monday, October 21, [Porter described in the Daily Journal](#) how the perverse incentives at America's second-largest bank have left it, its depositors, and investors exposed to a looming catastrophe. This creates a risk so large that America's financial authorities have introduced new accounting gimmicks designed to paper over and hide the problems from the public.

In a [post on X](#) also about Bank of America, Porter explained how William R. Berkley, the founder and CEO of the eponymous insurance firm **W.R. Berkley (NYSE: WRB)**, did the opposite. In the wake of long-term interest rates falling to record low levels, Berkley shifted his company's bond portfolio to lower-risk, short-duration bonds – which are much less sensitive to shifting interest rates. This move has paid off handsomely, helping propel WRB shares to all-time highs in the years that followed. There was one key difference driving these two outcomes, as [Porter explained](#):

“Of course he (Berkley) owns 20% of the company, so his incentives were to safeguard his assets, not game accounting rules to maximize his bonus.”

Like W.R. Berkley, IGI has followed a highly conservative approach to investing its policyholder premiums. The majority (70%) of the company's \$1.2 billion investment portfolio is allocated to high-quality corporate bonds, with an average "A" rating and a duration of just 3.2 years. This means these bonds should come with very low risk of loss from either default or shifting interest rates.

IGI's Credit-Quality Bond Portfolio
Its A-rated bonds have an average duration of 3.2 year



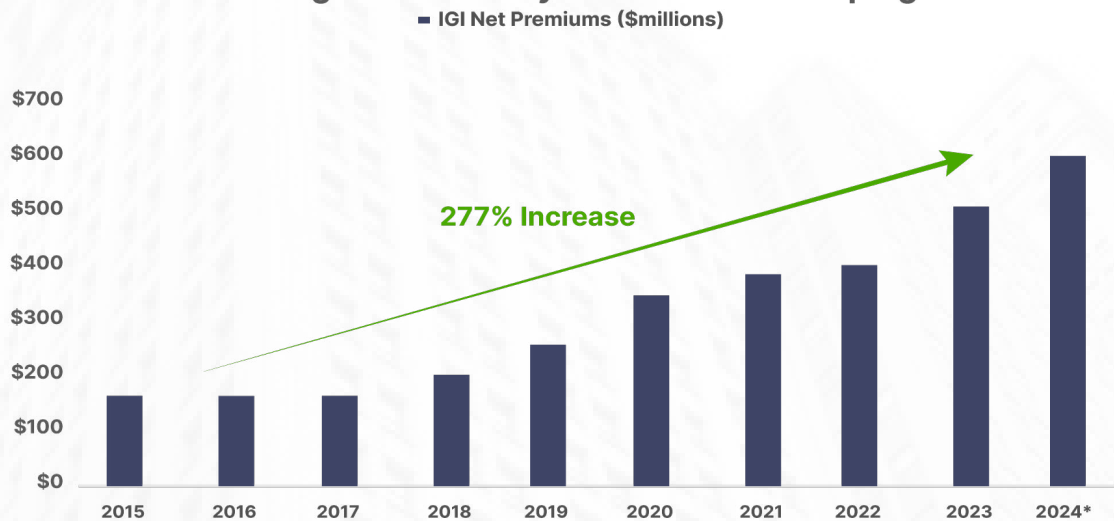
The remaining 30% of IGI's investment portfolio is held in cash and cash-equivalents (27% of assets), with a small minority of funds (3% of assets) held in publicly traded stocks.

The company also maintains a fortress balance sheet, carrying no debt and maintaining a positive cash balance in every year for the last decade. For all of these reasons, the company has consistently earned an "A" grade from the insurance industry's leading ratings agency, AM Best.

Growing Premiums And Growing Profits

Yet, even while running one of the most conservative businesses in the industry, this hasn't stopped IGI's impressive growth. Over the last 10 years, the company has increased its net policy premiums by 277% or at a 14% compounded annual growth rate.

IGI Generates Significant Policy Growth While Keeping Risks Low



Over the same period, net income grew at an even faster rate of 304%. IGI's earnings increased at a faster rate than policy premiums because the business is becoming more profitable as it scales up. We can see this through a key metric known as the expense ratio, or the percentage of every dollar in premiums spent on operating costs (staff and other corporate overhead).

In the chart below, note that IGI's expense ratio – which is the expense incurred per dollar of premiums collected – gradually climbed from 2015 to 2017. This reflected the company's cautious approach of hiring more staff and building up its underwriting capabilities before taking on new business. But as those investments began to pay off with greater premium growth starting in 2017, IGI has enjoyed greater economies of scale – with higher volumes of policies written per unit of operating costs. As a result, the company's expense ratio has declined by eight points from 44% in 2017 to 36% today – meaning IGI is now retaining eight cents more on every dollar of premiums versus what it earned in 2017.

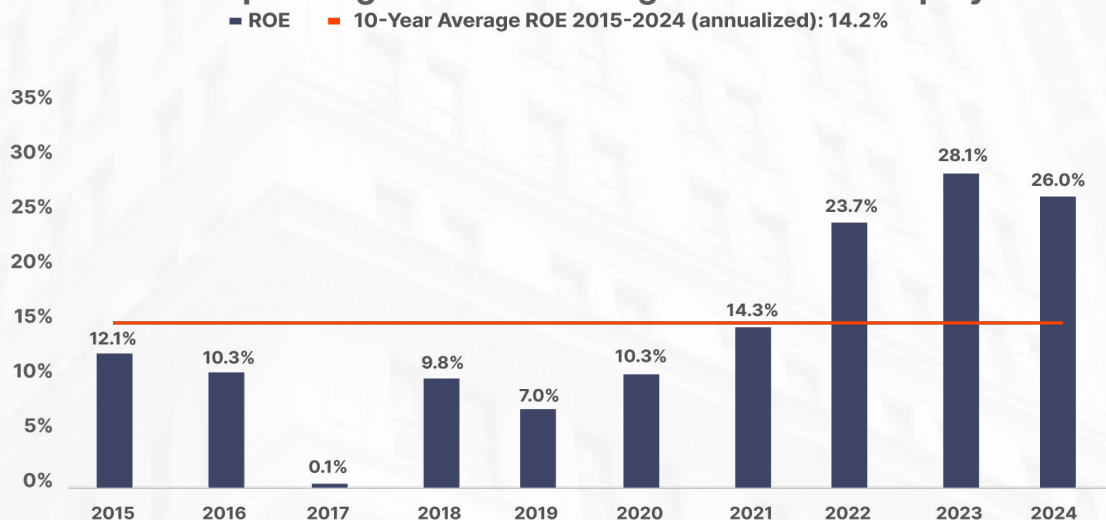
IGI Gains Economies of Scale and Lower Costs With Growth



IGI's overall profitability is impacted by its other key expense reflected in its loss ratio, or the cost that comes from paying out claims on policies. Thus, the fluctuations in claim payouts causes the returns from the business to fluctuate over any given year. But when looking through this year-to-year volatility, one clear trend emerges: IGI is increasingly generating higher returns, as measured by the company's return on equity ("ROE") – net income relative to shareholder equity.

The chart below shows a steady increase in IGI's ROE over the last decade, from a prior range of 10% to 12% to well above 20% in each of the last three years (setting aside the outlier year of 2017, when three severe hurricanes temporarily reduced its returns):

Core Operating Return on Average Shareholder Equity



We believe this trend toward higher profitability has a long way to run, as IGI continues growing and gaining greater economies of scale.

With an established presence in every major global market, the company is positioned to take market share from competitors as an increasingly more profitable and well-capitalized business. And the opportunity ahead is substantial.

IGI's Growth Is Just Getting Started

With less than \$1 billion in annual premiums, IGI holds less than 1% of the share of the global specialty-insurance market. Given its superior risk management, fortress balance sheet, and as one of the industry's best underwriters, we see a substantial opportunity for the company to continue gaining market share for decades to come.

Along the way, we have confidence in IGI's management team to do as it has always done – to act in the best interest of long-term shareholders, and only take on new business at highly attractive rates, and without taking on excessive risks along the way.

Despite IGI's stellar track record and bright future, IGIC shares are dirt cheap. The company earned \$2.55 per share last year, and at \$19, it trades for just over 7x earnings. That's well below the valuation of peers like Kinsale, which trades at 32x earnings, and Arch Capital's 28x earnings multiple.

Why so cheap?

First, there's the ownership structure of the business. In 2019, IGI was incorporated in Bermuda before it became publicly traded in the U.S. on March 17, 2020, through a special purpose acquisition company ("SPAC"). As a result, the Securities and Exchange Commission ("SEC") classifies IGI as an "exempted company", governed by Bermuda's laws of incorporation instead of standard U.S. rules and regulations. This means investors in IGI have fewer of the normal protections and legal recourse than they have with a traditional U.S. public corporation governed by the SEC. As a result, many institutional investors and index funds that have strict limits against investing in exempted companies cannot own IGIC shares.

Second, the timing of IGI's SPAC transaction to begin trading in the U.S. couldn't have been worse. It completed the transaction on March 17, 2020, just as the global economy

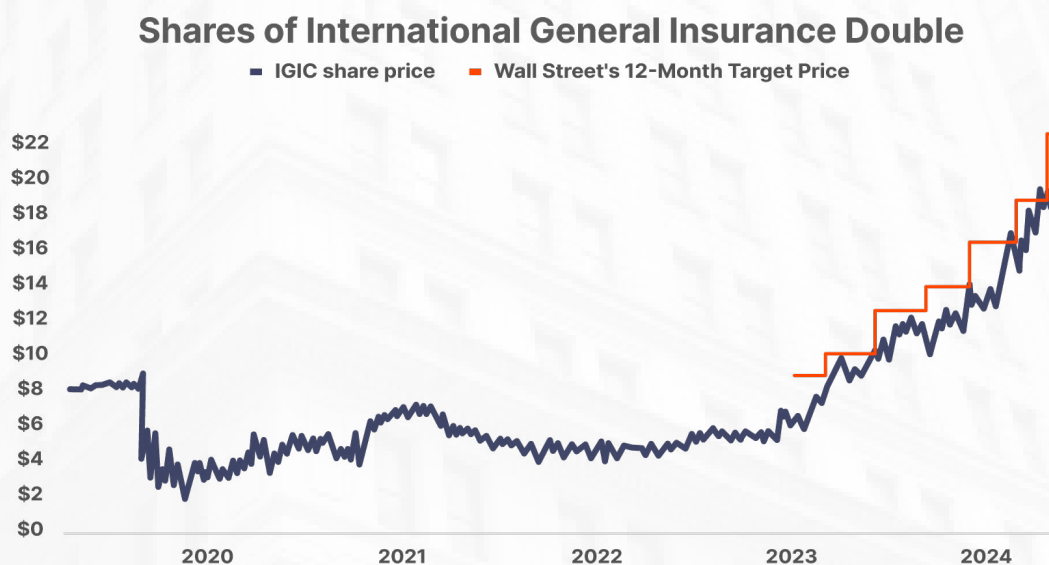
ground to a halt due to the COVID-19 outbreak. IGI's shares were pummeled during one of the sharpest declines in global financial markets on record, including a 35% decline in the S&P 500 over the course of just four weeks.

Then, in the wake of the market recovery fueled by the COVID-era stimulus programs, a wave of speculative business models went public via SPAC transactions. Many of these dubious business models went bust, wiping out untold billions of investor capital. Any business associated with the SPAC label got a bad name, regardless of the underlying business fundamentals, including for IGI.

So even as the business went on to generate record highs in policy premiums and underwriting profitability since going public in 2020, the shares languished well below the \$10 SPAC offering price for the next few years. And because IGI was a small, obscure business headquartered in the Middle East and domiciled in Bermuda, it flew under Wall Street's radar.

Wall Street Takes Notice Of IGI

But things began to change when one Wall Street investment bank began covering the company. In June 2023, with IGI trading well below \$10, the bank published his first report on the company, with an \$11 price target, then subsequently released several follow-on reports and steadily higher price targets. The shares have since more than doubled to trade around \$19 today.



Source: Bloomberg

Even after this more than doubling of the share price, IGIC remains in deep value territory at 7.5x earnings. We believe it's only a matter of time before more Wall Street analysts begin covering the company, and its valuation trades more in line with its peers like Kinsale, which trades at 32x.

In the meantime, IGI's management team is capitalizing on its depressed share price with an aggressive buyback program. The company repurchased just under 1 million shares in the first half of this year, or an annualized pace of 4.6% per year. It is authorized to buy back another 2.8 million shares. Based on recent commentary from management, we expect the company will continue buying back a substantial amount of shares as long as they trade at a deeply discounted valuation.

The company also returns capital through a \$0.025 per share quarterly dividend. While this is a modest yield of just 0.5%, it's one we expect will consistently increase along with the IGI's growing earnings power over time. Plus, IGI has shown it will surprise investors with generous special dividends when business is going well, like the \$0.50 special dividend it paid out in April 2024.

Looking ahead, we see an opportunity for IGI shares to generate a 30% compounded annual return over the next decade, based on what we believe are conservative assumptions.

How IGIC Shares Can Compound At 30% Per Year

Over the next decade, we believe IGI can grow its policy premiums at 15% per year, or about the same pace as the last decade. For the sake of conservatism, we don't assume any additional cost benefits from its growing economies of scale, and thus assume net income grows in line with policy premiums at the same 15% annual rate.

And as more investors discover this hidden gem, we assume its valuation will become more in line with its peer group, from a 7x price-earnings multiple to 15x.

Along the way, we assume the company continues funneling its excess capital into a steady pace of buybacks that will reduce the share count by 3% annually. That's less than the current buyback pace of 4.6% per year.

Adding it all up, these assumptions imply that the business will generate \$2.3 billion in net policy premiums annually and \$572 million in net income by 2034. Over the same period, the 3% annual pace of stock buybacks will reduce the company's share count from 44.2 million to 33.6 million, meaning the business will generate \$17 in earnings per share by 2034. Assigning a 15x multiple produces a target share price of \$255. Relative to its current share price of \$19, that's a total return of 1,242% or 30% annualized over the next decade.

Best of all, we feel confident owning the business alongside a management team that has a huge amount of skin in the game, and one that has proven to be excellent stewards of shareholder capital. This includes a highly disciplined and profitable underwriting process, retaining a more than ample capital reserve for policyholders, while also keeping its balance sheet pristine and a conservative investment portfolio.

IGI has quietly become one of the greatest success stories in the insurance industry. And it's a story we don't expect to remain under the radar for long.

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Stevenson, MD

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