Ensure Your Portfolio’s Future With These 3 Insurance Companies

Description

Since the 2008 financial train wreck, interest rates have been quite low. Consumers and banks have used these reduced rates to their advantage, yet there is one sector that has been struggling: insurance. Insurance companies, which are legally required to have reserve contributions to cover future policy benefits, have been hampered by these interest rates, pushing down rates of return. While the insurance industry managed to outperform several banks in 2012 and 2013, continuing low interest rates have affected the industry’s performance.

Manulife Financial (TSX: MFC)(NYSE: MFC), for example, has had year-over-year revenue growth of -34%. Its competitors **Sun Life Financial** (TSX: SLF)(NYSE: SLF) and **Great-West Life Co.** (TSX: GWO) had year-over-year revenue growth of -20% and -13% respectively. If these trends continue it could be rough days ahead for these companies, as interest rates are rumoured to remain at these levels until the third quarter of 2015.

However, this could be the perfect time for investors to start loading up on one or several of these insurance stocks. Once rates begin to increase, these companies will perform better, as better rates translate into higher yields and improved profit margins. On a long-term basis, insurance companies can act as a cornerstone along with banks, giving investors a stable cushion to engage in riskier ventures.

Which company shines brightest?

Manulife’s stock closed Friday at $21.34 and has a 52-week range of $16.21 to $22.22. It carries an average price target of $23.70 with a rating of “outperform”. Its dividend yield is the lowest of the three at 2.4% with an annual payout of $0.52.

Great-West Lifeco is tracking to be the lowest-rated of the three companies with a Friday closing price of $29.60 and a 52-week range of $27.80 to $33.56. There is a bit of space between the Friday close and the current average price target of $32.90, but analysts have placed a “hold” rating on the stock. Great-West does have the highest dividend yield of the three companies, though, sitting at 4.1% with an annual payout of $1.23.

Last and far from least, Sun Life Financial closed Friday at $38.88, right near the top end of its 52-week range of $29.45 to $40.15. The average price target is currently set at $40.80 with a rating on par with Manulife’s of “outperform”. While not quite as high as Great-West, Sun Life offers a dividend yield of 3.7% with an annual payout of $1.44.

No matter which of these companies piques your interest, these interest rates and stock prices are a limited-time offer. It could be some time before these or any insurance companies return to prices that are this buyer-friendly.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SLF (Sun Life Financial Inc.)

Category

1. Investing

Date
2025/08/25
Date Created
2014/06/23
Author
cameronconway