



Intact Financial Corporation Continues to Dominate Canada's P&C Insurance Industry

Description

Intact Financial Corporation ([TSX:IFC](#)) may not have great brand recognition among Canadian consumers, but it's the largest property and casualty (P&C) insurance provider in the country, with \$7.3 billion in premiums. With a 17% market share, Intact dominates the P&C space in Canada. Its stock has risen 24% over the last 12 months and could climb even further, with strong results expected in its Q2 earnings report due at the end of July.

"Intact's second-quarter earnings are anticipated to be solid after a relatively weaker first quarter," said Barclays analyst John Aiken in a report. "We anticipate ongoing operational improvements should firm up underlying combined ratios, despite our forecast for a normalized catastrophe loss environment. We expect a notably improved performance in personal auto and home insurance segments as the first quarter experienced unusually high claim expenses driven by bad weather."

The recent softness in Intact's valuation represents a buying opportunity for investors, Aiken added, noting that its shares came under modest pressure after a tepid first quarter. "However, we continue to believe that its growth outlook, relative profitability, depth of management and consolidation opportunities merits a premium multiple." Aiken is maintaining his price target for Intact at \$97 a share.

On the negative side, Aiken said that the recent wildfires in British Columbia and Saskatchewan are expected to lead to some catastrophic losses for Intact, though they likely won't materialize until the third quarter, and Intact's market share in British Columbia and Saskatchewan is relatively low at 4.8% and 0.8%, respectively.

Intact has taken steps to keep up with technological changes in the insurance industry, particularly in the direct-to-consumer space. At the beginning of May Intact announced the completion of its \$200 million acquisition of Canadian Direct Insurance from **Canadian Western Bank**.

"In our view, the transaction illustrates Intact's desire to continue to consolidate the Canadian P&C industry as well as expand its distribution reach," said Aiken. "The transaction added more than \$140 million in direct premiums, strengthened Intact's presence in Alberta, and provided a foray into British

Columbia.” Intact’s Q2 numbers will include a partial impact of the acquisition, Aiken noted, however, the full impact will likely not be seen until the third quarter.

As well as being a leader in the P&C sector, Intact has a history of delivering above average financial results, and has a healthy dividend yield of 2.35%. In other words, it’s the perfect buy-and-hold stock for long-term investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:IFC (Intact Financial Corporation)

Category

1. Dividend Stocks
2. Investing

Date

2025/08/17

Date Created

2015/07/08

Author

dwatt

default watermark

default watermark