



3 Top Insurance Stocks for 2016 and Beyond

Description

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)), **Power Financial Corp.** (TSX:PWF), and **Industrial Alliance Insur. & Fin. Ser.** ([TSX:IAG](#)) are three of the world's largest insurance companies, and all of their stocks represents very attractive long-term investment opportunities today. Let's take a quick look at each, so you can decide which would be the best fit for your portfolio.

1. Sun Life Financial Inc.

Sun Life Financial is one of the world's leading providers of financial products and services, including life, health, dental, disability, and medical insurance.

At today's levels, its stock trades at just 12 times fiscal 2015's estimated earnings per share of \$3.55 and only 11.2 times fiscal 2016's estimated earnings per share of \$3.83, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.3 and its sub-industry average multiple of 21.7.

I think Sun Life's stock could consistently trade at a fair multiple of about 15, which would place its shares upwards of \$57 by the conclusion of fiscal 2016, representing upside of over 33% from current levels.

In addition, the company pays a quarterly dividend of \$0.39 per share, or \$1.56 per share annually, giving its stock a 3.65% yield. It is also important to note that it has raised its dividend twice in 2015.

2. Power Financial Corp.

Power Financial is a diversified management and holding company with interests, directly or indirectly, in companies in the financial services industries across the world. Its holdings include a 67.4% ownership of **Great-West Lifeco Inc.**, which is one of the world's leading providers of life and health insurance.

At current levels, its stock trades at just 10 times fiscal 2015's estimated earnings per share of \$3.19 and only 9.6 times fiscal 2016's estimated earnings per share of \$3.32, both of which are inexpensive

compared with its five-year average price-to-earnings multiple of 12.3 and its sub-industry average multiple of 16.6.

I think Power Financial's stock could consistently trade at a fair multiple of at least 12, which would place its shares upwards of \$39 by the conclusion of fiscal 2016, representing upside of more than 22% from today's levels.

Additionally, the company pays a quarterly dividend of \$0.3725 per share, or \$1.49 per share annually, giving its stock a 4.7% yield. Investors should also note that it increased its dividend by 6.4% in February, but this was only its first increase since 2008.

3. Industrial Alliance Insurance and Financial Services Inc.

Industrial Alliance is one of the leading providers of financial products and services in Canada, including life, health, auto, and home insurance.

At today's levels, its stock trades at just 11.8 times fiscal 2015's estimated earnings per share of \$3.63 and only 9.8 times fiscal 2016's estimated earnings per share of \$4.38, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 14.7 and its sub-industry average multiple of 21.7.

I think Industrial Alliance's stock could consistently trade at a fair multiple of at least 12, which would place its shares upwards of \$52 by the conclusion of fiscal 2016, representing upside of over 20% from current levels.

In addition, the company pays a quarterly dividend of \$0.30 per share, or \$1.20 per share annually, giving its stock a 2.8% yield. It is also important to note that it has increased its dividend for two consecutive years.

Which of these top insurance stocks belong in your portfolio?

Sun Life Financial, Power Financial, and Industrial Alliance are three of the most attractive investment options in the insurance industry today. All Foolish investors should take a closer look and strongly consider initiating positions in one of them before the end of the year.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:IAG (iA Financial Corporation Inc.)
2. TSX:SLF (Sun Life Financial Inc.)

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