3 Cheap Insurance Stocks With Great Dividends

## Description

Insurance companies and their stocks are great investment options for long-term investors for two primary reasons.

First, the products they offer are necessities, and this is more apparent than ever with the wildfire that is still smoldering in Alberta.



Second, their business models are highly profitable, because they receive cash from their customers, invest it to generate returns, and then pay out claims that are about equal to what they receive from their customers, leaving them with the profits from their investments. This business model also enables the companies to successfully navigate emergencies that result in a huge influx of claims without being financially ruined.

With all of this in mind, let's take a look at three undervalued insurance stocks with great dividends that you could add to your portfolio today.

**1. Industrial Alliance Insurance and Financial Services Inc.**

**Industrial Alliance Insur. & Fin. Ser.** (TSX:IAG) is one of Canada's leading providers of financial products and services. Its offerings include life, health, auto, and home insurance, savings and retirement plans, and mortgages and car loans.

Its stock currently trades at just 9.7 times fiscal 2016's estimated earnings per share of $4.27 and only 9.2 times fiscal 2017's estimated earnings per share of $4.51, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 14.4 and the industry average multiple of 19.2. It also trades at a mere 1.14 times its book value per share of $36.48, and it has an estimated 5.4% long-term earnings growth rate.

Additionally, Industrial Alliance pays a quarterly dividend of $0.32 per share, or $1.28 per share annually, which gives its stock a yield of about 3.1%.

Investors must also make the following two notes.

First, Industrial Alliance’s two dividend hikes since the start of 2015, including its 7.1% hike in June 2015 and its 6.7% hike earlier this month, have it on pace for 2016 to mark the third consecutive year in which it has raised its annual dividend payment.

Second, the company has a target dividend-payout range of 25-35% of its net earnings, so I think its consistent growth, including its 9.1% year-over-year increase to $0.96 per share in the first quarter of 2016, will allow its streak of annual dividend increases to continue for many years to come.

**2. Manulife Financial Corp.**

**Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC) is one of the world’s leading providers of financial products and services, operating as John Hancock in the United States and Manulife everywhere else. Its offerings include life, critical illness, disability, and long-term care insurance, investment and retirement products and services, and commercial mortgages.

Its stock currently trades at just 9.7 times fiscal 2016’s estimated earnings per share of $1.85 and only 8.5 times fiscal 2017’s estimated earnings per share of $2.11, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 91.1 and the industry average multiple of 19.2. It also trades at less than one times its book value per share of $18.98, and it has an estimated 13.6% long-term earnings growth rate.



Additionally, Manulife pays a quarterly dividend of $0.185 per share, or $0.74 per share annually, which gives its stock a yield of about 4.1%.

Investors must also note that Manulife’s two dividend hikes since the start of 2015, including its 9.7% hike in May 2015 and its 8.8% hike in February 2016, have it on pace for 2016 to mark the third consecutive year in which it has raised its annual dividend payment.

**3. Intact Financial Corporation**

**Intact Financial Corporation** (TSX:IFC) is Canada’s leading provider of business, home, and car insurance. Its subsidiaries include Intact Insurance, belairdirect, BrokerLink, and Jevco Insurance Company.

Its stock currently trades at just 15.5 times fiscal 2016’s estimated earnings per share of $5.74 and only 12.4 times fiscal 2017’s estimated earnings per share of $7.16, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 16.2 and the industry average multiple of 19.2. It also trades at a reasonable 2.2 times its book value per share of $40.06, and it has an estimated 10.6% long-term earnings growth rate.

Additionally, Intact Financial pays a quarterly dividend of $0.58 per share, or $2.32 per share annually, which gives its stock a yield of about 2.6%.

A 2.6% yield may not seem impressive at first, but investors must note that Intact Financial’s 9.4% dividend hike in February has it on pace for 2016 to mark the 11th consecutive year in which it has raised its annual dividend payment.

**CATEGORY**

1. Dividend Stocks
2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:IAG (iA Financial Corporation Inc.)
3. TSX:IFC (Intact Financial Corporation)
4. TSX:MFC (Manulife Financial Corporation)

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