Manulife Financial Corp. vs. Sun Life Financial Inc.: 1 of These Life Insurers Is Underestimated

Description

Having to buy life insurance is a necessity for almost everybody, so they can protect their loved ones of the financial consequences of death. Shopping life insurance can be boring, but life insurance companies' stocks are not. **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC) and **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF) are two of the biggest life insurers in Canada. If you are looking to add a stock in the insurance sector to your portfolio, which stock should get your attention? Let's compare these two insurance giants to see which one stands out.

Manulife Financial Corp.

Manulife is Canada's biggest life insurer. It provides individual life insurance as well as individual and group long-term care insurance services. The company reported a very strong first quarter. Indeed, its return on equity reached 13.7%, while it was 10.8% during the previous quarter. This is due to strong sales in its Asian wealth and asset management business and expected profit from in-force policies. Manulife has improved its product mix, including increased sales of mutual funds. This is beneficial for the firm since mutual funds are high-margin products.

Net income rose to $1.35 billion — up 29% from the year before — while assets under management (AUM) rose to over $1 trillion for the first time in the company's history. The firm recorded insurance sales of $1.3 billion in the first quarter, an increase of 39% compared with the same quarter last year.

Manulife's stock is cheap with a P/E one-year forward of 10.39. Its forward P/E-to-growth (PEG) of 0.84 means you are getting growth for a low price.

Sun Life Financial Inc.

Sun Life provides diversified financial services. It offers savings, life and health insurance, as well as retirement and pension products to individuals and groups. The company reported relatively weak first-quarter results. Return on equity was 11% for the first quarter of 2017 compared to 11.5% for the same period a year earlier. Lower results came in part from weak growth in its U.S. business and trends in net outflows for its MFS asset management business.

Sun Life has announced a first-quarter net income of $551 million — up 2% from the same quarter last year. The insurance company achieved strong growth with a 58% increase in insurance sales and a 13% increase in wealth sales compared to the same period last year. AUM grew to $927 billion — up 7.8%.

Sun Life's stock has a one-year forward P/E of 11.56. However, the forward PEG is 1.65. A PEG higher than one means that you are paying too much for growth, so Sun Life's stock is not as cheap as it looks.

On June 7, Sun Life's shares soared 3.6% to $45.42 at the close — the biggest rise in six months. The gains followed reports that AUM at MFS rose by 4.2% in the first two months of the second quarter, outpacing the gain in the **S&P 500**. The company may have halted recent outflows from its large U.S. asset-management division, winning plaudits from analysts.

After all that has been said, it's not very clear which insurance company is a better buy. However, I think that Manulife's stock is undervalued and could surprise positively in the future, so I would choose this stock over Sun Life these days.

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