



Bucking the Trend: Intact Financial Corporation

Description

While looking to rent a vehicle over the weekend, someone explained to me that through an app called Turo, it was possible to avoid renting a vehicle from one of the major car rental agencies. Although I was very skeptical at first, the value of this app became evident.

The premise of Turo is very simple: car owners make their cars available for rent, while those needing a vehicle for a day or more can use the app to choose a vehicle to rent. The pricing for the vehicle is set by the owner of the vehicle. The challenge for both the renter and the owner is what happens if there is an accident; whose insurance is responsible?

Enter **Intact Financial Corporation** ([TSX:IFC](#)).

The insurer has taken a step forward in embracing newer technology and is now offering insurance for users of this new application. Clearly, the insurer is not content relying on traditional lines of business; instead, it is now looking to be an industry leader by offering to insure new types of risk. If we look back only five years, the idea of this type of service would never have been possible, as no insurance company would have considered this type of exposure.

While some investors may be asking themselves if the insurer is simply grasping at straws by insuring this segment, investors need not worry. Since 2013, revenues have increased from \$7.5 billion to \$8.4 billion in fiscal 2016. The compounded annual growth rate of revenues is a very healthy 4%. Let's not forget, the market capitalization of Intact Financial Corporation is about \$12.6 billion. This is a mature company.

The earnings per share (EPS) grew from \$3.85 to \$3.97 over the same period of time. The caveat, however, is that in fiscal 2016, there was a higher amount of "other operating expenses" than in previous years. As things begin to normalize, earnings may return to the 2015 EPS number, which was \$5.21 per share.

Time will tell.

As the insurer takes on new types of insurance business, it will be essential for investors to keep an eye on both the top and bottom lines to ensure that (as always) the risk is well worth the reward.

CATEGORY

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1. TSX:IFC (Intact Financial Corporation)

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