



Looking Into Canada's Insurance Companies: Industrial Alliance Insur. & Fin. Ser.

Description

Last week, we considered a variety of metrics for each one of Canada's banks in an effort to find the company that offered the best value. Moving forward with some of the biggest financial institutions, we will look at Canada's insurance companies to determine if there is one that stands out from the crowd. We'll begin with shares of **Industrial Alliance Insur. & Fin. Ser.** ([TSX:IAG](#)), which have a market capitalization of slightly more than \$6 billion; shares carry a beta of 0.92.

The company, which is in the insurance business, also offers a variety of investment options to clients, including mutual funds and segregated funds. Currently trading at a trailing price-to-earnings (P/E) ratio of slightly less than 11 times, shares, which currently trade near the \$57.50 mark, currently offer investors a dividend yield of approximately 2.5%.

Going back to fiscal 2013, the company made earnings of \$3.59 per share and paid out dividends of \$0.98 per share. The dividend-payout ratio calculated as (dividends / net income) was 27.3%, which is relatively low for a mature company. The story does not stop there. In fiscal 2016, the company became much more profitable. Earnings, which were \$3.59 per share, increased at a rate of 14.9%, totaling \$5.45 per share.

Of this amount, investors saw an increase in dividends from \$0.98 per share in 2013 to \$1.26 per share in 2016. The compounded annual growth rate of dividend payments was no less than 8.7%. Given the increase in earnings, which has not been passed on to shareholders, it is important to note the dividend-payout ratio has declined to 23.1%.

Given that the company has retained a higher amount of earnings, it is imperative for investors considering an investment in any insurance company to evaluate both the tangible book value and the return on equity (ROE) of the company. In the case of this company, the tangible book value as of the end of March is \$42.82 per share. That translates to a share price which trades at 1.34 times tangible book value.

When considering the ROE, investors may choose to look at the numbers over a number of years. In 2013, the company made a total profit of \$388 million and ended the year with shareholders' equity of

\$3,668 million. The ROE was 10.6%. Moving forward to fiscal 2016, the company increased its shareholders equity to \$4,765 and made a profit of \$548 million for the year. The most recent fiscal years' ROE is 11.5%. Clearly, an increase in this metric is a fantastic thing for investors to see.

As investors are regularly seeking new opportunities, it is important to realize what they are getting vs. what they are paying. Industrial Alliance Insur. & Fin. Ser., investors are buying into a company with a proven track record of increasing ROEs and dividends, even with a declining payout ratio. Moving forward, there is potentially a lot of upside remaining in the insurance sector.

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1. Dividend Stocks
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1. TSX:IAG (iA Financial Corporation Inc.)

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Date

2025/07/02

Date Created

2017/07/31

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