



The Top 3 Insurance Companies With the Highest Yields

Description

As interest rates rise, financials are best positioned to benefit. In particular, it's a boon to the insurance industry. There's a significant linear correlation between rising interest rates and greater earnings growth for the insurance industry.

As rates rise, insurance companies benefit from larger spreads and greater returns on their conservative investments. In turn, the companies generate significant cash flows.

The Government of Canada last raised interest rates by 25 basis points in December. When should we expect the next increase? The consensus is that the Feds will raise rates this coming July.

With that in mind, investors should get ahead of the announcements.

Where better to start than with those already offering investors a high yield? Here are the top three insurance companies with the highest yields and a growing dividend.

Sub-segments of each other

Perhaps it's a coincidence, but all three are closely intertwined. **Power Financial Corp.** (TSX:PWF) and its 5.34% yield tops the trio. Not far behind is Power Financial's majority shareholder, **Power Corporation of Canada** ([TSX:POW](#)), which is yielding 5%.

Great-West Lifeco Inc. ([TSX:GWO](#)), with its 4.69% yield and majority ownership by Power Financial, rounds up the top three.

Confused? Let me simplify. Power Corp. owns a majority 65.5% stake in Power Financial, while Power Financial owns a majority 67% stake in Great-West Life.

Each company makes solid investments in their own right. Let's break them down.

Best buy today

Power Corp. is the [best value of the bunch](#). Trading at a mere 9.05 times earnings, the stock is cheap.

This is also significantly below the company's historical P/E average of 12.7 and well below the industry average of 15.9.

On a forward basis, the stock looks even more attractive, with a forward P/E of only 8.71.

With respect to dividends, the company has the highest dividend growth rate at 6.7% over the past three years. I chose the past three years, as this is the length of its current dividend growth streak and that of the others as well.

Bottom line, Power Corp. is the most attractive.

A close second

Although not as cheap as its parent, Power Financial still [provides a great entry point](#). Its current P/E of 11.7 is also below its historical averages. It's also trading approximately 20% its Graham number, a measure of a company's intrinsic value.

Its three-year dividend growth rate is 5.6% and has the second lowest payout ratio.

Last but not least

As far as value is concerned, Great-West is the closest to fair value. Trading at 14.4 times earnings, this is exactly in line with its historical average.

However, with a forward P/E of 10.9, it still offers investors plenty of value. The company's three-year dividend growth rate is 6.1%, and its 67% payout ratio tops the group.

Where Great-West stands out is its expected future growth rates. Analysts expect the company to post earnings growth of 20%, which easily tops that of its peers.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)
2. TSX:POW (Power Corporation of Canada)

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1. Msn
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