3 Canadian Insurance Stocks to Stash in Your TFSA or RRSP

Description

With financials dominating the TSX, new investors might find themselves focusing on banks and investment funds. While there's certainly nothing wrong with stashing a few stocks in the Big Six in your TFSA or RRSP, Canadian investors may be overlooking the income that can be had from investing in insurance stocks.

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We've taken three of the best Canadian insurance stocks and pitted them against each other on multiples and value. Read on to see who wins.

Intact Financial Corporation (TSX:IFC) is a top property and casualty insurance stock. It's currently priced about right — it's neither under or overvalued. Canadian insurance stocks seem to be market neutral in terms of their P/E ratios at present. Intact Financial's P/E of 17.7 times earnings is reflective of this and indicates good value. Further evidence of a well-valued stock is its PEG of 0.9 times growth, though its P/B of twice book is a bit of a headscratcher.

An expected annual growth in earnings of 20.2% makes this the best pick for investors who set their value by expected growth, however, and with a dividend yield of 2.97%, Intact Financial is a solid choice for your TFSA or retirement fund.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) differs a little from Intact Financial in that its main sphere of operations is life and health insurance, rather than property and casualty insurance. A further, and perhaps more pertinent, difference is that Sun Life is discounted by 23% compared to its future cash flow value.

A lower than average P/E of 14.3 times earnings is more good news for value investors, while is PEG of 1.6 times growth and P/B of 1.5 times book should leave all but the most arduous of stock rankers satisfied.

Throw in a 9.2% expected annual growth in earnings and a tasty dividend yield 3.6%, and you have strong competition for Intact Financial.

Like Sun Life, **Great-West Lifeco Inc.** (TSX:GWO) is a life and health insurance stock. Also like Sun

Life, Great-West Lifeco is undervalued. Trading at a discount of 29%, this is the most discounted stock mentioned here. It also has the lowest P/E of the three: a mellow 13.9 times earnings. The rest of its price-based multiples look good, too: with a low PEG of 1.1 times growth, and a P/B of 1.5 times book, it looks much like Sun Life in terms of valuation fundamentals.

Here's where the similarity with Sun Life ends, though: Great-West Lifeco has a higher growth forecast and higher dividend yield than its competitor. Its expected 12.2% annual growth in earnings, plus superior dividend yield of 4.83%, put Great-West Lifeco somewhat ahead of the crowd when it comes to Canadian insurance stocks.

The bottom line

With their nearly perfect asset sheets boasting low debt, if you buy any or all of these insurance stocks, you'll be adding some healthy roughage to your financial's investment diet. Great-West Lifeco offers the juiciest dividend yield of the bunch, though growth investors should take note of Intact Financial's rosy outlook. Sun Life, meanwhile, is a good all-rounder, with a nice dividend yield, moderate growth forecast, and a discounted share price. On multiples and value combined, however, Great-West Lifeco is the overall winner.

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1. TSX:GWO (Great-West Lifeco Inc.)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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