A Top Under-the-Radar Canadian Financial Stock for Your RRSP

Description

Canadian investors are searching for top-quality stocks to add to their RRSP portfolios.

Owning stocks from different industries is important, and when it comes to a pick in the financial sector, most people automatically default to the big banks. However, other financial companies are worth considering today.

Let's take a look at **Intact Financial** (TSX:IFC) to see why it might be an interesting pick.

Operations

Intact is Canada's largest property and casualty insurance provider (home and auto insurance) and a growing provider of specialty insurance in the United States. In total, the company pulls in about $10 billion in total annual premiums.

The Intact Insurance brand is distributed in Canada through a network of brokers as well as through the company's BrokerLink subsidiary. In addition, sales are conducted directly to consumers through belairdirect. South of the border, Intact's OneBeacon Insurance Group distributes specialty insurance products through partner brokers, wholesalers, and independent agencies.

Financials

Intact reported Q2 2018 net operating income of $201 million, representing a 4% increase over the same period last year. Higher net investment income and strong underwriting results in the United States offset increased catastrophe losses in Canada.

Operating return on equity was 11.9% for the quarter, which was pretty much in line with Q2 2017.

Net distribution income rose 4% on a year-over-year basis to $52 million. Intact is targeting full-year growth of 10% compared to 2017.

Net investment income jumped 28% to $134 million in the quarter, supported by the integration of the

OneBeacon portfolio and improved yields. Intact acquired OneBeacon last year for US$1.7 billion.

The deal gave Intact the ability to provide cross-border service to Canadian customers, enabling the business to compete better with large international insurers.

Dividends

Intact raised the quarterly dividend by 9% to $0.70 per share earlier this year. The company has a strong track record of boosting the payout, and that trend should continue.

At the time of writing, the stock provides a yield of 2.7%.

Returns

Intact has delivered strong returns to investors. Five years ago, the stock traded at $60 per share. Today, you have to fork out more than $105 to own a piece of the company.

Should you buy?

As interest rates rise, Intact should continue to see strong growth in investment income. Insurance companies have to set aside funds to cover potential claims, and that money is often placed in fixed-income investments. When you are looking at billions of dollars, a 1% increase in the interest rate has a big impact.

In addition, the OneBeacon acquisition gives Intact a strong platform to expand its presence in the U.S. market.

If you are searching for a top-quality buy-and-hold financial stock to add to your RRSP portfolio, Intact looks like an attractive pick today.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:IFC (Intact Financial Corporation)

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