



## RRSP Investors: Why This Industry-Leading Financial Stock Is a Must-Own

### Description

In your RRSP, owning stocks that have proven to be reliable sources of stability and income is a smart move. This can enrich your retirement years with dependable income and relatively stress-free wealth management.

Let's take a look at the largest provider of property and casualty insurance in Canada, **Intact Financial** ([TSX:IFC](#)) — a company that has a leadership position in the insurance industry. And this leadership position continues to grow, as Intact has been successfully consolidating the insurance industry and driving economies of scale and efficiencies.

Intact's story is still in the early stages, as the company still has a long runway of growth and economies of scale that can be expected to continue to drive shareholder value. All of this was evident in Intact's latest quarterly results, so I would like to review these results while pointing out the main reasons that Intact is a must-own for RRSP investors.

### Size and scale drive value at Intact

Intact's [size and scale has driven efficiencies and margin improvements](#) over the years. In the latest quarter, the company saw strength in many areas, with pricing increases making their way through to the bottom line.

Direct premiums written increased 8%, driven by double-digit growth in Canadian commercial lines and accelerating growth in Canadian personal lines (+6%). U.S. premiums grew 10% driven by growth in new business, solid retention, and rate increases.

In the Canadian personal auto business, which has been weak in recent quarters, positive momentum is building, as capacity constraints and price increases work their way through the market. Auto premiums grew 6% this quarter, driven by substantial rate increases as premium growth continues to accelerate. This quarter's 6% premium growth rate in auto premiums compares to last quarter's 1% growth, so we can clearly see the momentum building.

Intact's size and scale has driven an industry-leading ROE for the company. According to management, the industry in Canada is generating an average ROE of 3%. Intact's ROE this quarter was 12%, far exceeding the competition. This is a reflection of the fact that Intact remains the leader in its business.

Size and scale are also increasingly important in taking advantage of the opportunities that technology offers. Technological advancements in artificial intelligence are allowing Intact to go deeper and drive margins and customer satisfaction, which is something that smaller firms don't have the resources for. As such, the company will continue to invest in risk selection and claims advantage to further improve outcomes, customer satisfaction, and margins.

## Intact continues to successfully consolidate the industry

A few years ago, Intact's CEO said that the [industry would see significant consolidation](#). About half of what he expected has happened, so we can still expect more consolidation. He is expecting 15% market share to change hands in the coming few years.

As per CEO Charles Brindamour, Intact's priority is to "create a fortress position in Canada" and a leading position in the U.S. IFC is ready to capitalize on acquisition opportunities and has a strong balance sheet to support this. Management believes they are entering an 18- to 24-month period of favourable conditions to grow and consolidate the industry.

## Intact's CEO is expecting strong fundamentals

Intact's goal is to return the company's combined ratio to the low 90's level, to return the company's ROE to the mid-teens level, and to generate annual net operating income per share growth of 10%.

All of this is highly achievable given the current health of the market, which is seeing strong rate increases go through, and given Intact's strength and leading position, that will enable the company to continue to consolidate the market.

## Foolish bottom line

Intact is an industry-leading stock that can be expected to provide RRSP investors with stable, consistent growth and shareholder value creation well into the future. This is why I believe this stock is a must-own stock for RRSP portfolios.

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