



## No More OSFI Prohibitions: 2 Top Insurers Raise Dividends by up to 20%

### Description

Insurance companies, like banks, are federally regulated financial institutions in Canada. Hence, insurers were also covered by the Office of the Superintendent of Financial Institutions' (OSFI) restrictions on dividend increases. When the banking regulator lifted the ban early this month, two renowned names in the industry took advantage.

**Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) and **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) didn't take long to capitalize and continue with their stalled progressive dividend increases. The former raised its dividends by 18% while the latter will hike theirs by 20%. This latest development could prompt investors to take in either Dividend Aristocrat before 2021 is over.

The [insurance stocks](#) are stable performers on the TSX thus far in 2021. Manulife is up 14%, while Sun Life outperforms with 27.82%. Market analysts are bullish and recommend a buy rating for both.

### More financial flexibility

Manulife's latest [dividend increase](#) was in February 2020, before the coronavirus breakout. OSFI announced the restrictions the following month. As of November 12, 2021, the insurance stock trades at \$24.98 per share and pays a 4.48% dividend. The payouts should be safe and sustainable, given the low 32.94% payout ratio.

Apart from the green light to raise dividends, Manulife intends to launch a Normal Course Issuer Bid (NCIB), subject to OSFI and TSX approval. The \$48.7 billion insurance and financial services provider can proceed with its capital-management strategy if it obtains approval.

An NCIB will give Manulife the flexibility to purchase common shares and maintain healthy regulatory capital ratios. Moreover, management can balance its objective of creating or generating shareholder value.

In Q3 2021, Manulife delivered core earnings growth of 10% and a solid net income of \$1.6 billion. Its core return on equity of 13.2% year to date was 13.2%. Its president and CEO Roy Gori said, "The

diversity and resilience of our franchise were evident once again in the third quarter, as we continued to deliver against our medium-term targets.”

## A stimulus to shareholders

Sun Life Financial president and CEO Kevin Strain said about the lifting of prohibition, “We’re quite happy to provide that stimulus and those dividend cheques back to our shareholders.” The \$32.91 billion insurance and asset management firm will raise its dividends by 20%, a supplementary increase on top of the regular quarterly payouts.

If the board of directors approve the hike in a special meeting, Sun Life will achieve its target payout ratio of 40-50%. Strain adds, “We thought that raising the [dividend](#) and doing it as quickly as we could was important.” The share price is \$56.19, while the dividend yield is 3.77% if you invest in the stock today.

Sun Life’s net income in Q3 2021 reached \$1.02 billion, a 36% increase from Q3 2020. They achieved the feat notwithstanding the 9% and 4% declines in insurance and wealth management sales. Management recently incorporated Lumino online health service into its group benefits to forming Sun Life Health. The move is to integrate technology into its offerings tightly.

## More attractive to income investors

Manulife and Sun Life are noteworthy investments and great for a long-term hold. The dividend hikes should make them more attractive to income investors.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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