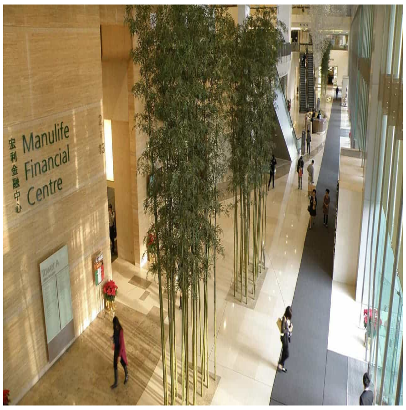

Manulife Financial Corp.'s Stock Just Got a Whole Lot More Attractive

Description

Current **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC) president Roy Gori, who's scheduled to take over as CEO from the retiring Donald Guloien on October 1, had some strong words to say about the insurance industry at the 2017 Scotiabank Financials Summit September 7.

It might have been an incoming CEO beating his or her chest to warn all the other primates in the investment zoo that Manulife was ready to bring its "A" game. It also could have been the brash attitude of the typical Aussie, but Gori left no doubt that change is coming at Manulife — and that's a good thing.

Unusually complicated

"If you apply for an insurance product, you'll get a 16-page application form with 120 questions, more often than not," said Gori during his speech. "It's still very paper-based, very manual and, as a result, our industry net promoter scores are really very poor."

I spent 16 months in 2014 through early 2016 writing for a Canadian trade publication that covers the insurance industry; I learned up close just how archaic the industry is.

Literally, in some parts of the world, you could probably buy and move into a new house with far less paperwork than is required to obtain life insurance with most carriers in this country.

One of the companies I became familiar with during my stint writing about insurance was Apexa Corp., a Toronto-based company that's a spin-off of LOGiQ^3 Group, a collection of businesses and ideas out to simplify the insurance industry through innovation, creativity, and, most importantly, technology.

Apexa's web-based platform for collaboration between the various stakeholders finally went live in August — much later than originally projected, but, as Gori says, that's insurance.

Technology is the key

At the same time I wrote about the insurance industry, I also covered the wealth management industry, primarily from the advisor perspective. It too had its quirks, but was lightyears ahead of insurance.

“Customers engage today on their phones with other organizations in a seamless, transparent and very efficient way,” Gori said. “That’s not how they work with the insurance industry, so we need to transform our technology footprint.”

The entire insurance industry is playing catch-up; Gori is right to call out the industry for being in the dark ages. Shareholders of **Great-West Lifeco Inc.** (TSX:GWO) can relate all too well to this need for industry change.

In April, it announced that it was laying off 1,500 of its Canadian employees over 24 months to reduce overhead. Reinvesting the savings in customer-focused innovations such as speedy online applications and digital dashboards that make it easy to buy and own insurance, Great-West Lifeco believes it can provide a better customer experience at a fraction of the cost.

The digitization of insurance has begun.

“Our survey found that 74% of insurance companies identified their own industry, while only 26% of players from other sectors agreed. This perception gap could indicate that the disruption is in its very early stages,” said Allan Buitendag, PwC’s National Insurance Leader. “Annual investments in InsurTech start-ups have increased fivefold over the past three years, reaching $3.4 billion since 2010.”

I’d expect lots of M&A activity in FinTech by Canadian insurance companies Over the 24-36 months. You can bet Manulife will be in the mix.

Why is this good for Manulife?

First, it signals that Gori is not afraid to do what’s necessary to compete in its two best markets: Canada and Asia.

Although Manulife played down the July rumours that the company was planning to spin off its John Hancock business, the fact that Craig Bromley, the head of its U.S. division, resigned in late May, suggests it could happen.

Add to this the fact the new CEO understands Asian financial services, and you get the idea that Manulife is ready to use technology to capture more of these two markets, leaving the U.S. for others.

In July, I suggested the spin-off would be a good reason to consider Manulife’s stock. With Gori’s provocative opening salvo, things at Manulife are looking more promising by the day.

However, actions speak louder than words. By the end of 2017, we should know if Gori is the real deal. Until then, I’m not a buyer.

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