



This Troubled Financial Stock Is Ready to Grow

Description

Anyone who's ever worked in the insurance industry, as I have, knows that it moves at a snail's pace when it comes to innovation and change.

While the big banks have been falling all over themselves lining up partnerships in the FinTech industry, insurance carriers haven't been nearly as forward-thinking, although that's starting to change.

Woefully behind the times

Manulife Financial Corporation ([TSX:MFC](#))([NYSE:MFC](#)) CEO Roy Gori, who's been in the top job since last October, came out of the gates flying last fall, suggesting at a financial industry conference in Toronto that insurance companies needed to pull up their socks.

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

I recently read in a Canadian publication, whose name escapes me, that insurance salespeople are, in fact, ready for technological change, but none of the insurance carriers can agree on a unified digital application, making the move from paper to digital that much slower.

It's not a surprise to Gori, who's taking Manulife on a transformational journey that will see it change how and where it does business. "There's this urgency and this sense that we've got to imagine a future radically different from the past," he recently told the *Globe and Mail*.

Asia's limitless possibilities

It used to be that Manulife's biggest focus was in the U.S. where it's been a decent-sized player since buying John Hancock in 2003. However, with the growth of the middle class in Asia, Gori's focus and priority have shifted overseas.

“If I’m absolutely honest, three years ago we were a bit of a two-trick pony in Asia,” Gori said. “Fast-forward to the end of 2016, and we went from three markets to seven where we have scale.”

Manulife estimates that the household wealth of Asians will double over the next 10 years, providing a lucrative market in which to sell investments and insurance. The CEO believes 12 markets in Asia will deliver much of Manulife’s growth in insurance premiums written and overall earnings over the next few years, which already account for a third of annual profits.

In the first quarter, Manulife’s core earnings in Asia were \$427 million, 20% higher than a year earlier and accounting for 38% of the company’s overall profits.

Currently, the company is experimenting with a digital-only pilot in Thailand. If successful, it will expand to other countries where it feels it can’t compete on the ground with the biggest insurance companies.

Two countries where it’s interested in setting up shop are India and Myanmar. In India, it’s all about the massive population; Myanmar is attractive because it’s relatively new to insurance, and Manulife has experience opening sales operations in emerging markets such as Cambodia and Vietnam.

The bottom line on Manulife stock

If nothing else, Roy Gori’s brutally honest observations about the insurance industry let investors know that he’s not blind to the industry’s shortcomings and is working hard to fix them.

Recently, Fool contributor Karen Thomas [called](#) Manulife her favourite of the big insurance companies because of its 3.7% dividend yield combined with the company’s growth in Asia and wealth management along with an industry-wide benefit of higher interest rates.

Although I like what Gori is doing, if I had to own a Canadian insurance company, I’d probably go with **Intact Financial Corporation** ([TSX:IFC](#)), whose [underwriting standards](#) are some of the best in the country.

If you’re an income investor, I wouldn’t have a problem recommending Manulife stock. If you’re looking for capital appreciation, you might want to wait for a quarter or two to see how Gori’s transformation is coming along.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:MFC (Manulife Financial Corporation)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/07/26

Date Created

2018/05/14

Author

washworth

default watermark

default watermark