The Top Canadian Insurance Stock Investors Should Consider Right Now

Description

Insurance is boring. I mean, the paperwork, the commercials … it's a sector some investors just don't find attractive. I can understand that. However, finding a great insurance stock and holding steady for the long term can provide intriguing returns for investors with a long-term time horizon.

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In my view, **Manulife** (TSX:MFC)(NYSE:MFC) is one such insurance stock built to last. Indeed, this company's value both as an income stock as well as a long-term total return play, provide "slow-and-steady" investors with a potential winner.

Here's why Manulife stock is a great long-term pick for investors to consider right now.

Manulife: An insurance stock with a viable long-term business model

Manulife Financial is one of the top life insurance companies in the world. However, the company also provides many financial products outside the insurance space to its clientele. Accordingly, many investors view Manulife as a rather one-dimensional, under-diversified insurance stock. Nothing could be further from the truth.

These diversified cash flows provide long-term investors with a margin of safety that's hard to find. Additionally, the company's business operations are well diversified geographically. Roughly one-third of the company's revenues originate from Canada, the U.S., and Asia.

It's the company's Asian operations that intrigue me. Indeed, as a result of a recent deal to acquire a larger stake in the company's Chinese subsidiary, Manulife has further boosted its exposure to China. This comes at a time when Chinese investments are beginning to look a bit risky. However, buying low and holding for the long term is how real wealth is created.

Manulife's numbers highlight how successful the company has been with its long-term strategy. In fact, this insurance stock boasts a 13% return on equity. For many high-growth companies, that's not that impressive. However, in the insurance space, these operating metrics are some of the best of the bunch.

Additionally, the company’s 4.6% yield is the cherry on top. Investors looking for high-quality dividend income along with reasonable long-term capital appreciation potential have a winner with Manulife stock.

Bottom line

As concerns around the pandemic subside, investors may be looking to find a top insurance stock to ride in this post-pandemic world. That’s because rising bond yields increase insurance companies’ margins, and increased spending power boosts the company’s non-insurance businesses as well.

Aside from the pandemic reopening thesis, Manulife is likely to add defensiveness and stability to any investor portfolio. Given the volatility we’ve seen of late, any sort of stability is a good thing. Combine these traits with some strong growth prospects from the company’s Asian operations, and it’s a winning combination.

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