

SWOT Analysis: What to Review? - Asset Allocation

A SWOT Analysis will identify internal strengths, weaknesses, external opportunities and threats to each component of your insurer's investment process.

The SWOT analysis acts as a road map for future changes to the investment process.

Conducting a SWOT Analysis for each segment of the Investment Process Value Chain can be the best way to develop a blueprint and prioritization of how and where to improve the investment process.

Below are common practices and areas of concern within an insurer or risk pool's asset allocation:

SWOT Analysis: Asset Allocation

Strengths	Weaknesses
<ul style="list-style-type: none">• Set targets and ranges for major asset classes (<i>i.e. core fixed income, equities, etc.</i>)• Risk Asset Allocation includes appropriate asset classes, with diverse options and opportunities• Majority of invested asset in fixed income; supports liabilities and minimizes surplus volatility• Guidance regarding rebalancing process• Equity allocation is comprised mostly of passive vehicles in highly efficient and liquid markets	<ul style="list-style-type: none">• Lacking connection to the overall business, surplus, income needs or liquidity• Lack of rationale for allocation framework• Allocation to certain asset classes high relative to peers• Overall portfolio duration is too long or short• Guidance on ranges or targets are either too narrow or too wide• Lack of diversity in invested asset classes/sectors
Opportunities	Threats
<ul style="list-style-type: none">• A formal asset allocation review should be conducted• Asset mix should consider company financial condition and forecasts• Current asset allocation can be completed in a much more cost-effective manner, while reducing fees• Discussion of risk appetite relative to existing and potential asset allocations	<ul style="list-style-type: none">• Portfolio book yields continue to be under pressure from low interest rates.• Volatility within risk asset markets has increased materially• Further regulatory or business changes that may impact the stability of cash flows• Comments from ratings agencies on the investment portfolio may be problematical

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