



SWOT Analysis: What to Review? - Investment Policy Statement

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 concerns within an insurer or risk pool's investment policy statement.

SWOT Analysis: Investment Policy Statement

Strengths

- Clearly states operational goals and objectives
- Details any applicable regulatory constraints
- Outlines and describes the roles and responsibilities of each party involved in the investment process
- Investment policy is consistently reviewed every year

Weaknesses

- Performance reporting requirements do not include risk-adjusted metrics (*i.e. Sharpe ratio*)
- Benchmarks related to certain asset classes are not identified
- Performance reporting does include any consistent stress testing procedures

Opportunities

- Policy should be revised to reflect any changes developed after conducting an asset allocation analysis
- Include allocation targets, constraints and/or ranges for allowable asset classes missing from the current policy statement

Threats

- Changing market conditions require consistent reevaluation
- Monitor potential changes in regulation or business structure
- Policy lacks metrics needed for annual financial statements and/or audits

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