

The 2020 Crisis has evolved to a pivotal point in 2021 – a juncture of cautious optimism, RoC concern, strategic reassessment and greater-than-normal planning for change

The last year has been a unique one for all – the insurance industry has been no exception. This year's survey results reflect continued trends like rate concerns and infrastructure investment, as well as a rethinking of critical components, such as the risk framework (e.g., adding ESG) and the future of the workforce. We have combined replies from respondents with interactions in our projects and collaborations to summarize what we see as the most pressing issues, challenges, and developments in the capital and risk management space for life and annuity insurers today. Seven key themes have emerged.

01 The need for a holistic capital approach is rising in recognition.

One or many benefits of implementing a holistic internal capital framework is minimization of conflicts among:

-  Long-term goals of product development and pricing
-  Tactical decisions on ALM, M&E and infrastructure investment
-  Personal incentives of leadership

02 The 2020 Crisis accelerated change.

In addition to mortality and morbidity, insurers are digging into ESG-related risks, workforce strategies, and wellness. Assumption setting has, arguably, never been more difficult.



03 Rates and spreads dominate worries.

The economic outlook remains the primary challenge to confident growth and generation of double-digit returns.

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|----------------------|--------------------------|
| 1 Interest Rates | 6 Health and Wellness |
| 2 Credit Spreads | 7 Policyholder Behavior |
| 3 Mortality | 8 Legal Interpretations |
| 4 Workforce Strategy | 9 Real Estate |
| 5 Technology | 10 Hedging Effectiveness |

04 Regulatory evolution is never-ending.

LDTI is rising as a driver, and many have significant work to do. IFRS-17, CECL, and continued discussion around Insurance Capital Standards exacerbate conflicts among internal and external frameworks.



05 The policy and governance climb continues.

Self-assessments of Capital Management Model Governance indicate that this important risk policy area remains challenging for many.



06 Tech remains king.

Whether it's called **modernizing, transforming, or evolving**, insurers see an imperative to:

-  Drive to digital
-  Eliminate systems and expense inefficiencies
-  Enhance capabilities around sensing, analytics, and smart, insightful forecasting

07 The risk framework is pixilating.

In 2021, the CRO may be simultaneously working with HR on the Future of Work; with IT on virtual communications; and with Investments on an adjusted real estate footprint.

