- Obligations arising from insurance contracts should be covered by investments in matching currencies. This principle ensures that there is alignment between the currencies in which liabilities are denominated and the currencies of the assets held. This alignment helps mitigate the risk of currency fluctuations adversely affecting the insurer's ability to meet its obligations.

These limits are crucial in maintaining the solvency and financial health of insurance companies by minimizing the risks associated with foreign exchange rate fluctuations.

Based on the information extracted from the FINMA Circular 2016/5 document, here is an evaluation of the answers related to the specific limits placed on investments in foreign currencies:

Answer 1 Evaluation

- **Relevance:** The answer addresses the topic of limits on foreign currency investments but provides incorrect percentage figures.
- **Accuracy:** The specifics about the 10% limit mentioned in the answer do not align with the actual content from the FINMA circular, which specifies a 20% limit.
- **Completeness:** This answer lacks the comprehensive detail needed for regulatory compliance as outlined in the circular, missing crucial aspects such as currency matching.
- **Clarity:** The answer is clear and well-structured but misinformed regarding the actual regulatory limits.

Score: 2/10 - The answer provides a clear structure but fails in terms of accuracy and completeness relative to the guidelines stipulated in the FINMA document.