



1. ****Types of Bonds and Convertible Bonds****:

- Permitted investments include government bonds, bonds issued by cantons, cities, municipalities, and other public corporations, corporate bonds, and medium-term notes issued by a bank licensed in Switzerland.
- Convertible bonds are also permitted and can be divided into two types: those with the character of bonds and those with the character of shares.

2. ****Convertible Bonds****:

- Convertible bonds that can be converted into shares (e.g., mandatory convertible bonds, contingent convertible bonds) are typically assigned to the "shares" category if the market value of the convertible bond exceeds 130% of its nominal value. If the value subsequently falls below 130%, the bond remains in the shares category.

3. ****Valuation****:

- Bonds are generally valued using either the scientific or straight-line cost amortization method plus accrued interest. This approach ensures that the value recorded reflects the amortized cost, thereby maintaining the initial yield to maturity.

4. ****Non-Permissible Values****:

- Certain types of bonds that are structured to transfer risk, like those issued by special purpose vehicles for securitized receivables, are excluded from permissible investments. This includes bonds linked to insurance-linked securities (e.g., catastrophe bonds), which are categorized under "Structured Products."

5. ****Regulations and Limits****:

- Bonds from foreign issuers are subject to specific regulations ensuring that they meet Swiss legal and investment standards. The insurance undertaking must follow the



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