



5. In summary, high-risk investments for insurance companies are those that carry a higher level of uncertainty regarding their return or the risk of loss. These investments can provide higher returns but also carry a higher risk of loss. Insurance companies are required to manage their investments prudently, balancing risk and return, and ensuring that they can meet their obligations to policyholders. High-risk investments should be part of a diversified portfolio and aligned with the company's risk management strategy. Stress testing is an essential tool for assessing the potential impact of these investments on financial stability.

Answer 2:

High-risk investments for insurance companies, as identified in the FINMA Circular 2016/5, typically include those that are susceptible to significant fluctuations in value, are subject to high default risk, or are complex and difficult to value. Here are some specific types of high-risk investments for insurers:

1. **\*\*Structured Products and Derivatives\*\***: Investments that include complex instruments like derivatives (futures, options, swaps) or structured products (collateralized debt obligations, mortgage-backed securities). These can entail high risks due to their complexity and leverage factors.
2. **\*\*Lower-Rated Bonds\*\***: Bonds that have lower credit ratings (typically, those rated below investment grade) represent higher risks due to increased likelihood of default.
3. **\*\*Foreign Investments\*\***: Investments in foreign markets or in foreign currencies can be considered high risk due to exchange rate fluctuations and differences in market regulation and stability.
4. **\*\*Real Estate Investments\*\***: While generally considered a stable asset, certain types of real estate investments, particularly those in volatile markets or involving high-maintenance properties, can pose higher risks.



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