

6. The regulations also require that the insurance company has a clear understanding of the risks associated with high-risk assets and that it has implemented appropriate measures to mitigate these risks. This could include diversifying the investment portfolio, using derivatives to hedge against market risks, or implementing a risk management system that can monitor and respond to changes in market conditions.

7. Finally, the regulations require that the insurance company has a comprehensive investment management system in place, which includes procedures for the selection, execution, and monitoring of investments. This system should be designed to ensure that the investment process is transparent, accountable, and aligned with the company's investment objectives and risk tolerance.

In summary, investments in high-risk assets are regulated through a combination of requirements and guidelines that aim to ensure the safety and stability of the investment portfolio. These regulations include limits on the allocation of high-risk assets, requirements for expertise and resources to manage the risks associated with these assets, and a comprehensive investment management system to support the investment process. The overall goal of these regulations is to protect the interests of the investors by limiting their exposure to high-risk assets that could potentially result in significant losses.

Answer 2:

Investments in high-risk assets by insurance companies are regulated under strict guidelines to manage and mitigate the risks associated with these types of investments. According to the FINMA Circular 2016/5, here are the key regulatory measures:

1. ****Limit on High-Risk Investments****: Investments in high-risk assets must be made cautiously and should be an appropriate diversification of the total tied assets. This ensures that these investments do not disproportionately affect the overall investment portfolio's risk profile.



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