

Investments in High-Risk Tranches of Securitized Products: Such as the equity or junior tranches of structured credit products, which are significantly more volatile and risky compared to senior secured tranches.

These investments are usually subject to strict regulatory limits regarding their proportion in the insurer's portfolio to mitigate systemic risks and ensure that the company can meet its obligations to policyholders.



Based on the analysis of the FINMA Circular 2016/5 regarding high-risk investments for insurance companies, here are the evaluations for the two answers provided:

Answer 1 Evaluation:

Relevance: This answer discusses the general approach to managing high-risk investments and mentions investments with a credit rating of 5. This is relevant to the document's content on risk considerations.

Accuracy: The answer mentions the need for technical expertise in credit risks for investments in securities rated as credit rating 5, which aligns with the document. However, it does not cover other types of high-risk investments mentioned in the document.

Completeness: The answer addresses some aspects of high-risk investments like the need for quick realizability and risk capacity but lacks mention of specific high-risk categories like structured products or derivatives that are emphasized in the document.

Clarity: The answer is clear and understandable but could benefit from specific examples or a broader range of high-risk investment types for clarity.

[illegible]

Get started with ChatGPT