

Matching Cover: The principle of matching cover requires that the investments correlate with the currency and duration characteristics of the liabilities they are meant to cover, ensuring effective risk mitigation related to currency and duration mismatches.

Request for Exceptions: Insurance companies may request deviations from these limits if they can demonstrate that the deviations will not negatively impact the solvency of the company. Such requests must show that the insurance company maintains an appropriate risk management system for the relevant asset classes.

These limitations and conditions are crucial for ensuring that the credit exposure of tied assets is managed in a way that prioritizes the solvency and liquidity needs of the insurance company, protecting against potential losses from counterparty defaults.



Here's the evaluation of the two answers provided for the question on the limitations and conditions for credit exposure to counterparties within tied assets:

Answer 1:

- **Relevance:** The answer directly addresses the limitations and conditions for credit exposure to counterparties within tied assets, mentioning specific limits and exceptions. This aligns well with the content of the document.
- **Accuracy:** The answer accurately mentions the 5% exposure limit, the exemptions for certain entities, and includes details on how securities lending and repurchase agreements are treated. These details are consistent with the document.

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