ChatGPT 4

risks associated with the investments such as market risk, credit risk, and liquidity risk. By not overly concentrating assets in any specific area, the risk of significant financial loss from a single source is reduced.

3. **Investment Categories**: The principle calls for an appropriate mix in relation to the various investment categories. Investments must be assessed based on their specific risk profile, the default or impairment risk they carry, their investment horizon, and the correlation between different asset classes.

4. **Cluster Risks**: The principle specifically requires the exclusion of cluster risks. This means avoiding significant exposure to any single economic, industry, or sector risk that could potentially lead to large-scale defaults or impairments.

5. **Risk Capacity Consideration**: When making high-risk investments, the diversification must still be aligned with the insurance company's overall risk capacity. This ensures that even if high-risk investments are included, they are only a cautious addition to the overall portfolio and do not exceed the risk tolerance levels of the company.

The objective of these diversification requirements is to ensure the stability and security of the tied assets, which are crucial for meeting the claims of the insured in both normal and adverse situations.

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PDF

You are a helpful assistant. Make direct answers with good explanations. Do not lie and if you do not know the answer, say you do not know. Answer this question: What limits are set for investments in equities and equity securities?

The limits set for investments in equities and equity securities by insurance companies, as outlined in the FINMA Circular 2016/5, inc[illegible]le the following:

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ChatGPT can make mistakes. Check important info.