



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.
5. **Alternative Investments:** This includes investments in hedge funds, private equity, and commodities, which are often subject to less regulation, have higher volatility, and involve higher fees and limited liquidity.
6. **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.

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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:
How are investments in high-risk assets regulated?



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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