inconsistent with the document.
Question: "What derivatives can be used to hedge credit risk of asset portfolio?"
Answers:
Answer 1:
The derivatives that can be used to hedge credit risk of asset portfolios are CDSs on individual securities if the insurance company is the protection buyer (buy protection) and CDSs on indices if the insurance company is the protection buyer (buy protection). These derivatives must be structured in such a way that a high hedging effect is achieved, ensuring that the portfolio to be hedged and the index portfolio are largely identical in terms of composition and portfolio weightings. If there is no stable correlation between the portfolio to be hedged and the index portfolio, the hedging effect is not ensured but can only be approximated, and this hedging instrument cannot be assigned to this strategy. CDSs on individual securities are only recognized at market value if the bond (underlying security) is permanently impaired, and the CDS therefore has a hedging effect. CDSs on indices used for hedging purposes are always included in the tied assets with a value of zero.
Answer 2:
To effectively manage and report on structured product investments, insurance companies must adhere to stringent regulatory standards and internal guidelines. Here's a detailed breakdown of the approach:
Management

Risk Assessment and Due Diligence:
Insurance companies must thoroughly assess the risks associated with structured products, including market, credit, and liquidity risks.