ChatGPT 4

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.

Based on the extracted details from the FINMA Circular 2016/5, here are the evaluations for the answers provided regarding the principle of diversification within tied assets:

Answer 1 Evaluation

- **Relevance:** Discusses the principle of diversification broadly in terms of spreading investment risks across various sectors and regions. This is generally aligned with risk management principles but lacks specific references to FINMA regulations.
- **Accuracy:** The answer discusses diversification in a general investment context, which is applicable to the management of tied assets but does not detail specific FINMA requirements for diversification under Circular 2016/5.
- **Completeness:** While it provides a general overview of diversification, it misses specifics about