



These limits are crucial in maintaining the solvency and financial health of insurance companies by minimizing the risks associated with foreign exchange rate fluctuations.



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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:
What are high-risk investments for insurance companies?



High-risk investments for insurance companies, as identified in the FINMA Circular 2016/5, typically include those that are susceptible to significant fluctuations in value, are subject to high default risk, or are complex and difficult to value. Here are some specific types of high-risk investments for insurers:

1. **Structured Products and Derivatives:** Investments that include complex instruments like derivatives (futures, options, swaps) or structured products (collateralized debt obligations, mortgage-backed securities). These can entail high risks due to their complexity and leverage factors.
2. **Lower-Rated Bonds:** Bonds that have lower credit ratings (typically, those rated below investment grade) represent higher risks due to increased likelihood of default.
3. **Foreign Investments:** Investments in foreign markets or in foreign currencies can be considered high risk due to exchange rate fluctuations and differences in market regulation and stability.
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,



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