

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:

- 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.
- Risk Capacity Consideration:** The insurance company's risk capacity must always be taken into account when investing in high-risk assets. This includes assessing the financial stability and risk tolerance of the company to ensure t it can handle potential losses from these investments.



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