STATUTORY DECREE (D.F.L.) Nº 251, OF 1931,[1]

INSURANCE LAW

Preliminary Title

DEFINITIONS

Article 1.- For the purposes of this law, the following definitions are provided:

a) SVS: the Superintendencia de Valores y Seguros;

b) Superintendente: the SVS Superintendente;

c) Net company equity: the difference between the value of total assets and liabilities, minus the sum of any asset that does not constitute an actual investment. An actual investment refers to those assets that have a clear value in that they are capable of generating income for the company. Every reference to company equity should be understood as the net equity defined under this letter.

d) Repealed

e) Minimum equity: the legal minimum requirement, as stated in articles 7 and 16, for the existence and functioning of insurance and reinsurance companies, respectively.

f) Risk equity: the greater of the two:
1.- The necessary equity to maintain the debt relationships established in article 15,
or,

2.- The resulting margin of solvency after applying the general procedures established below and the specific factors and mechanisms, by groups or branches in which a company operates, which are determined by the SVS, through a well-founded general norm, which shall become effective 180 days after it is passed and, in the event of modification, insurance companies must be informed at least 180 days before it will go into effect.

The main objective of the margin of solvency is for the entity to have the resources available to cover extraordinary variations provoked by risk variations, in excess of what is statistically expected.

The margin of solvency requirements may differ among insurance and reinsurance companies, based on the technical criteria of their line of business.

The margin of solvency for first-group companies corresponds to the greater of the two:

A) The resulting amount when calculating the margin of solvency in terms of premiums. It will be determined by applying to direct annual premiums and those of accepted reinsurance, with the exception of earthquakes, a factor established by the SVS, which may differ based on the type of

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[1] ***D.F.L. Nº 251 was published in the Official Gazette on May 22, 1931 and corresponded to the former SVS Organic Law. The present text includes modifications introduced to the abovementioned D.F.L. by the following legal documents: Law Nº 17,308, of July 1, 1970, Decree Law Nº 3,057, of January 10, 1980, Decree Law Nº 3,538, of December 23, 1980, Law Nº 18,045, of October 22, 1981, Law Nº 18,046, of October 22, 1981, Law Nº 18,660, of October 20, 1987, Law Nº 18,707, of May 19, 1988, Law Nº 18,814, of July 28, 1989, Law Nº 18,815, of July 29, 1989, Law Nº 18,899, of December 30, 1989, Law Nº 19,301, of March 19, 1994, Law Nº 19,389, of May 18, 1995, Law Nº 19,415, of September 30, 1995, Law Nº 19,469, of September 3, 1996, Law Nº 19,601, of January 18, 1999, Law Nº 19,705, of December 20, 2000, Law Nº 19,769, of November 7, 2001, Law Nº 19,806, of May 31, 2002, Law N° 19,895, of August 24, 2003, Law N° 19,934, of February 21, 2004, Law N° 20,190, of June 5, 2007, Law N° 20,255, of March 17, 2008 Law N° 20.343 of April 28, 2009, Law N° 20,552 of December 17, 2011, Law 20,667 of May 9, 2013, Law N° 20,789 of November 6, 2014, and Law N° 20,956 of October 26, 2016.***

insurance or type of risk, and which may not be greater than 18% for automobiles and 55% for other areas. This result is multiplied by the existing ratio between net reinsurance claims and total claims of the company or by the percentage fixed by the SVS, if that ratio is lower than this percentage, which may not be greater than 60% for automobiles and 30% for other areas, but may differ by branch of insurance or type of risk.

B) The resulting amount when calculating the margin of solvency in terms of claims. It will be determined by applying to the average load of direct claims and of accepted reinsurance in the last three years, with the exception of earthquakes, a factor established by the SVS, which may differ based on the type of insurance or type of risk, and which may not be greater than 25% for automobiles and 75% for other areas. This result is multiplied by the existing ratio between net reinsurance claims and total claims of the company or by the percentage fixed by the SVS, if that ratio is lower than this percentage, which may not be greater than 60% for automobiles and 30% for other areas, but may differ by branch of insurance or type of risk.

The margin of solvency for second-group companies corresponds to the sum of the amounts that result from the application of the following:

A) For accident, health and other non-life insurance, the calculation shall be made by applying the rules established for first-group insurance.

B) For life insurance that does not generate mathematical reserves, excluding those contemplated in article 59 of D.L. Nº 3,500 of 1980, it shall be determined by applying to capital at risk a factor set by the SVS, which may differ based on the type of insurance or type of risk, and which may not be greater than 0.1%. This result is multiplied by the existing ratio between self-maintained capital and total capital or by the percentage fixed by the SVS, if that ratio is lower than this percentage, which may not exceed 50%, but may differ by branch of insurance or type of risk.

C) The total debt of the company, excluding the obligations derived from insurance included in the above letters A) and B), multiplied by 1/15 or by a lower ratio fixed by the SVS, as established in the second paragraph of article 15.

The SVS, by means of a general rule, may require insurance entities to have a system for assessing the market risk of investment portfolios to estimate their maximum probable loss. This norm will determine the basic aspects that will be subject to assessment, considering the period in which the maximum probable loss could occur, the estimate's level of reliability, and the currency in which loss will be calculated.

Natural risk factors shall be applied to each type of investment instrument, also taking into consideration correlations among different instruments. Risk factors shall be considered to be any variables that affect the value of an investment, such as the interest rate, exchange rate, and stock indexes.

The SVS may, by means of a general rule, require risk equity over and above that indicated in this letter, according to the maximum probable loss reported. The additional equity requirement may not be greater than the difference between the risk equity determined, as indicated by numbers 1.- and 2.- of this letter, and the reduced company equity as a result of the maximum probable loss. There will not be an additional equity requirement when risk equity is lower than the reduced equity resulting from the maximum probable loss. The rule indicated or its modifications shall be applicable as of 120 days after going into effect and must be effective for a minimum of one year.

The risk equity determined as indicated in this letter may not be lower than the minimum equity and must be backed by the investments mentioned in article 21.

The companies must have equity greater than or equal to the risk equity defined in this letter. If this is not the case, they shall be subject to the regularization procedure described in Title IV.

g) Repealed.

h) Repealed.

i) Repealed.

j) Repealed.

k) Repealed.

All mention of affiliated people, controllers and corporate groups in this law, shall be understood using the definitions from Title XV of the Securities Market Law.

Article 2. Repealed.

Title I

INSURANCE

1. Obligations and Attributes of the SVS

Article 3.- These are the attributes and obligations of the SVS:

a) To authorize the existence of, to approve the statutes and their corresponding modifications of, and to approve the extension of deadlines and the anticipated dissolution of national insurance and reinsurance corporations; to authorize the transfer of significant shares, upon viewing documents that accredit that they have fulfilled and are in the position to fulfill the obligations of the present law;

b) To supervise the operations of insurance companies, perform inspections, request the execution and presentation of balance sheets and other financial statements and reports on the dates that it deems necessary, to review the books and portfolios and, in general, to request all information regarding their status, development, and solvency and in the way in which they meet the requirements of the present law and other laws in effect, and to enact general rules for the purposes of assessing the value of their investments, and possibly ordering any measures it deems necessary;

c) To summon the companies' boards of directors or their general shareholders groups when the requirements of their supervision duties so require. To cancel shareholders' meetings when their formation has been defective, and for the same defect, nullify any agreements made at the meeting, within a period of eight days following this meeting.

The Superintendente, in person or by delegates, may attend the general shareholders' meetings, in which he will have the right to speak;

d) To assume the position of sole administrator or liquidator of a company, in the cases established by the present law and, especially, in accordance with numbers 3 and 4 of article 44, when a suspension is declared or when the company's authorization to practice has been revoked.

The administration or liquidation, as is the case, may be delegated by the Superintendente to one or more employees with a managerial, professional, or technical position at the SVS or to others, as long they meet the requirements demanded of the director of a corporation;

e) To give the public access to text models for the general conditions of policies and clauses that are underwritten in the market. The insurance entities may use these models starting on the sixth day after they have been incorporated into the Policy Bank that shall be maintained by the SVS for this purpose.

First-group insurance companies, in the case of Transportation and Maritime and Air Motor Vehicle insurance, as well as the insurance contracts in which both the insurer and the policyholder are companies and the amount of the annual premium established is no less than 200 U.F., shall not have the obligation indicated in the above paragraph, and may use contract models not delivered to the SVS, as long as the respective policy is signed by the contracting parties.

It will be the responsibility of the companies to ensure that the insurance policies underwritten are done so in a clear and understandable way, that they do not lead easily to error and that they do not contain clauses that come into conflict with the law. In the event that there is a doubt regarding the meaning of a provision in the general policy or clause model, preference will be given to the interpretation that is most favorable to the contracting party, policyholder or insurance beneficiary, as is the case.

The SVS shall establish, by means of a general rule, the minimum number of provisions that must be included in the policies.

The SVS may prohibit the use of a policy or clause model when it believes that its content does not meet the legal requirements, its writing is unclear, or when it does not contain the minimum number of provisions as previously indicated;

f) To verify that the technical reserves held by companies comply with the general rules established by the SVS, in addition to the balance sheets, other financial statements, the various accounts and other information requested by the SVS, adjusting current statutes, laws and regulations to approve them, ordering their immediate rectification, or requesting the necessary modifications to be incorporated into the next balance sheets, financial statements or reports;

g) To maintain a registry of insurance business auxiliaries, in which those who wish to work as insurance brokers or claims adjusters must register themselves, and for which they must meet the requirements established by the present law;

h) Repealed.

i) To act, in cases where it is deemed necessary, as an unbiased arbitrator in order to resolve problems that occur between two or more companies, a company and its intermediaries or a company and a policyholder or beneficiary, when both parties involved request it. However, the policyholder or beneficiary may alone request that the arbitrator resolve problems that may arise when the amount of the claim is lower than 120 U.F. or 500 U.F. in the case of compulsory insurance;

j) Repealed.

k) To establish, by means of a general rule, laws related to the information that companies must make available to the public about the difference between its assets and liabilities, with reference to the period, readjustability, and type of currency that are found in these;

l) To compile and publish, annually, statistics about all insurance and reinsurance operations performed by the companies, along with a list of insurance and reinsurance brokers, claims adjusters and insurance and reinsurance companies authorized to operate in the country;

m) To establish, by means of a general rule, the technical and equity requirements that must be met by insurance and reinsurance companies as well as by claims adjusters in order to act as such, and may at the same time establish rules regarding the intermediation and contracting of insurance services and claims adjustments;

n) Eliminated.

ñ) All others expressly assigned to it by other laws or rules.

2. General Statutes

Article 4º.- The business of insuring risks on the basis of premiums may only been done in Chile by domestic insurance and reinsurance companies, whose exclusive function is this and whose activities are related or complementary to this, and which have been authorized by the SVS by general rule. Second-group insurance companies may form General Fund Management branches, as referred to in Title XXVII of Law N° 18,045, and subject to the general rules established by the SVS.

Without prejudice to the above, foreign insurance entities established outside the country, may sell in Chile insurance for international maritime transportation, international commercial aviation, merchandise in international transit, satellites, and the load they carry..

Any individual or company may freely underwrite abroad any type of insurance, with the exception of compulsory insurance established by law and those included in D.L. Nº 3,500 of 1980, which may only be underwritten with companies established in the national territory. At the same time, insurance and reinsurance entities may underwrite risks that come from outside the country.

In the cases indicated in the second and third paragraphs above, the underwriting of these types of insurance shall be subject to legislation on international exchange.

Insurance underwriting with companies not established in the country will be taxed, without prejudice to those established under other laws, with the same rates that may affect the insurance underwritten with national companies.

Additionally, insurance and reinsurance companies may take on equity loss risk that entities which provide the benefits contemplated in Laws Nº 16,744, 18,469 and 18,933, assume because of the services they provide.

Insurance entities may incorporate branches as Pension Fund Management companies, which shall be subject to the rules established in D.L. Nº 3,500 of 1980. In this sense, they will be incorporated as special corporations, as referred to in Title XIII of Law Nº 18,046, on Corporations, and will be subject to supervision by the Superintendence of Pensions.

Insurance company branches incorporated as Pension Fund Managers must strictly observe the exclusive line of business referred to in Article 23 of D.L. Nº 3,500 of 1980, and may not directly or indirectly offer or provide, under any circumstances, any service or product outside of its exclusive line of business.

The parent insurance company of a Pension Fund Manager may not subcontract the provision of services or products specific to its line of business to the affiliation, incorporation or permanence of a person in the Pension Fund Management company to which it is the parent company. At the same time, it may not condition the granting of more favorable conditions based on such circumstances.

Article 4° bis.- Notwithstanding that which is established in the above article, companies incorporated outside the country may establish branches within the country, and to do so they must establish themselves as an agency under Title XI of Law Nº 18,046 and obtain the authorization indicated in Title XIII of the same law.

In order to obtain authorization to establish a branch, the foreign insurance company must provide evidence to the SVS that it meets the statutes established by this law for the authorization of insurance companies.

The authorization to establish a branch, as well as any corresponding modification or annulment, shall be stated in a resolution by the SVS, which shall be subject to the publicity and registry requirements established by articles 126 and 127 of Law Nº 18,046.

The foreign insurance companies authorized in terms of the previous articles, shall have the same rights and shall be subject to the same obligations as national insurance companies of the same group, unless a legal statute states otherwise.

The equity that foreign insurance companies assign to the branch in the country must be effectively admitted and converted to the legal currency, in conformity with the requirements of the systems authorized by law or by the Central Bank of Chile. Increases in capital that do not come from the capitalization of reserves shall be treated the same as start-up capital.

No foreign insurance company authorized in terms of the above paragraphs may yield rights or privileges derived from its own country with respect to the operations it carries out in Chile.

Any dispute that may arise regarding the branch's operations inside the country, whatever its nature, shall be resolved by Chilean courts, in conformity with the laws of the Republic.

The operations between a branch and its main office or other related companies, shall be considered to be carried out between different entities, for all purposes. This is without prejudice to the responsibility of the foreign insurance company, according to the general rules, to obligations underwritten by the branch that has been established in Chile.

Creditors of the foreign insurance company branch, who are residents of Chile, shall have preference when it comes to its property and rights situated in the national territory, for its credits granted within the country.

In order to manage their business, foreign insurance companies authorized in terms of the previous paragraphs, shall not be required to have a Board of Directors, but they must have an agent with ample authorization to represent the companies with full legal authority.

The responsibilities and sanctions that affect the Board of Directors of the insurance entities, or its members, shall correspond to and shall be transferred to the agents of foreign insurance companies authorized in terms of the above paragraphs.

Remittance of liquid profits obtained by foreign insurance company branches shall be carried out upon prior authorization from the SVS and subject to the current legal statutes and rules established by the Central Bank of Chile, and as long as these meet the equity and solvency requirements set by the present law.

Article 5º.- From here on, it is strictly prohibited in Chile the establishment of *tontinas*, *chatelusianas*, mixed or mutual associations whose object it is to insure any type of risk, on the basis of quotas and premiums, or when they use premiums but cannot guarantee the benefits offered.

Nevertheless, the entities referred to in the above paragraph that are operating as of the date of this law, may continue to perform their business upon authorization from the SVS, and with immediate oversight.

Article 6º.- In the present law, each reference to insurance companies or companies should be understood as referring to all national corporations in the area of insurance, and unless the text states otherwise, this shall also be understood as national corporations in the area of reinsurance.

Article 7º.- The capital of insurance companies may not be less than 90,000 U.F. at the moment of establishment and must be completely subscribed and paid in order to authorize their existence.

Nevertheless, if during the course of operations of a company the equity should fall to an amount below 90,000 U.F., the company shall be required to make up for this difference, according to article 65 and the following. If it fails to do so, its authorization to exist shall be revoked.

Article 8º.- The companies shall be divided into two groups. The first group pertains to those that insure risks of loss or deterioration of objects or equity. The second group includes those that cover risks to people or guarantee to these, within or at the end of the policy's term, capital, a settled policy or income for the policyholder or its beneficiaries.

Article 9º.- The legal incorporation of insurance and reinsurance corporations, shall be done in conformity with article 126 and the following of the Corporations Law.

These entities, whether they are registered or not in the Securities Registry referred to by Law Nº18,045, on the Securities Market, shall be subject to the information obligations established in article 10 of that law.

Article 9° bis.- Individuals or companies that, personally or jointly, control, according to article 97 of Law Nº 18,045, a second-group insurance company or that individually possess more than 10% of its shares, must send to the SVS reliable information about their financial situation. The SVS, by means of a general rule, shall determine what information must be sent and how often, which may not exceed the information required for open corporations.

When the consolidated net equity of the controllers, individually or jointly, in the corresponding proportion, is reduced to a lesser amount than the risk equity defined in letter f) of article 1, and is not rectified within the period determined by the Superintendence for these purposes, the Superintendence may request from the companies, by reasoned resolution, to abstain from performing specifically determined transactions and operations, with their related persons or through them, in a six months period, renewable for the same period.

Likewise, in this case, the Superintendence may suspend the administration of all or some company´s operations, in the terms mentioned in numerals 3 and 4 of article 44, renewable for the equal period, appointing for said purpose an administrator, according to letter d) of article 3.

Article 10.- The amount of the insurance, premiums and indemnity payments, shall be expressed in U.F., unless the respective contracts are written in foreign currency with modifications to the current legal statutes. Without prejudice to the above, the SVS may authorize, by means of a general rule, that they contracts be written in other systems of readjustability or legal currency.

The value of the U.F. to be considered for the payment of premiums or indemnity shall be that which is registered at the actual payment of these.

Article 11.- Insurance entities may not offer the coverage of risks pertaining to both groups.

However, insurance entities in one group or the other may cover personal accident and health risks.

Credit risks must be insured only by first-group companies whose exclusive function it is to cover this type of risk, although they may also cover warranty and fidelity. Credit insurers may not grant this type of coverage nor accept its reinsurance, when the policyholder or debtor is a person related to the insurance or reinsurance company, as is the case. The only exception to this may be in the case of credit insurance for exports.

Credit insurance shall be understood as that which covers the risk of loss or deterioration of the policyholder's equity, due to failure to pay a money obligation or money credit.

Article 12.- The Superintendence, subject to law N° 19,628, its regulations and other applicable provisions, shall hand over information about insurance to those who identify themselves as policyholders. In the case of judicially declared disability, or death of a policyholder, the information shall be handed over to those who are identified as spouses, children, parents, beneficiaries, or others who have legitimate interest.

In the case of enquiry duly notified by the Superintendence to insurance companies, they will have the obligation to provide the information pointed out in the next paragraph to the Superintendence.

The specific content of the information that insurance companies must provide shall be determined by the regulations. The related characteristics of that information, such as format, communication media, deadlines, and others, shall be determined by the guidelines or general regulations issued by the Superintendence. The aforementioned information shall at least contain the indication of underwriting insurance companies, insurance type, and validity, according to the code in the respective Policy Deposit, in its case, being prohibited to hand over records related with the identity of the beneficiary or the conditions established for it in the insurance. This information must be provided while the obligations of the company are in force.

The Superintendence must safeguard privacy of the delivered information, and must remove from its database the information received from insurance companies within 60 days of its receipt, under the provisions of this article.

Article 13.- Insurance companies shall not use trade items that they have been given to facilitate the future payment of premiums in order to guarantee or eliminate own or third party obligations, for that part of the unpaid premium.

Article 14.- Repealed.

Article 15.- The maximum limit of total debt in relation to the equity of first-group companies may not be greater than 5 times. At the same time, for second-group companies, this limit shall be equal to 15 times. Nevertheless, the SVS, by means of a general rule, may only establish limits of total debt in relation to equity greater than those indicated in the above paragraph for second-group companies, when backed by a well-founded reason, under the condition that each modification is to be effective for at least one year and that said change is not greater than the equity. Even so, the maximum ratio of total debt to equity for second-group companies may not exceed 20.

For companies of one group or the other, the total amount of debts contracted with third parties that do not generate technical insurance reserves, may never exceed the amount of equity.

The funds value reserves, indicated in No. 6 of article 20, shall be subject to a total debt limit, equal to seven times the limit referred to in the first paragraph.

Article 16.- The reinsurance of contracts celebrated in Chile may be done by insurance or reinsurance entities with the following entities:

a) National corporations whose exclusive activity is reinsurance.

These entities are subject to supervision by the SVS, with the attributes granted by law.

National reinsurers may operate in both insurance groups, as long as they have independent capital for each of these and there is separate accounting for operations done in each group, so that they meet the requirements of equity, debt and investment of technical reserves and equity in each group.

These entities must maintain a minimum equity of 120,000 U.F. for each of the groups in which they operate. If during the course of their operations, this equity falls below the minimum limit, the entity shall be required to make up for this difference, according to Paragraph 1 of Title IV of the present law. If this is not done, its authorization to exist shall be revoked.

In the event that one of the groups presents problems that call for the regularization established in articles 65 or 68 of the present law, this must be carried out, and in the event that it is not possible to do so, the SVS will revoke authorization of the group affected.

b) National insurance companies which may only reinsure risks in the group in which they are authorized to operate, and

c) Foreign reinsurance entities which are evaluated by risk rating agencies, of recognized international prestige, according the SVS, in at least the BBB risk category or the equivalent.

These entities must designate a representative in Chile, which shall represent them with ample authority, and may even be ordered to appear in court.

Nevertheless, the designation of a representative will not be necessary if the reinsurance is performed through a reinsurance broker registered with the SVS, in conformity with the following paragraph, who, for all legal purposes, and especially regarding application and compliance in the country in which the reinsurance contract will be written, shall be considered to be the legal representative of external reinsurers, with ample authority, and may even be ordered to appear in court.

Reinsurance may be performed with the entities indicated above, directly or via reinsurance brokers who are listed in the Reinsurance Broker Registry held by the SVS. For these purposes, they must comply with the following requirements:

1) They must not be listed in the Insurance Broker Registry held by the SVS;

2) They must accredit the underwriting of an insurance policy to show that they can respond completely and correctly to the fulfillment of all obligations derived from their activity as reinsurance brokers in Chile and, especially, for damage caused by errors or omissions that happen to those who contract reinsurance via them. The policy must remain effective until all obligations contracted as a broker have been eliminated.

The insured amount of this policy must not be lower than the greatest sum between 20,000 U.F. and one third of the intermediated premium in Chile during the previous year.

It will be necessary to obtain prior approval from the SVS when the policy issuer is a company that is not established in Chile.

Once non-compliance or damage has been verified, the policy shall be liquidated and the affected broker may not intermediate new contracts until the SVS deems that it has recovered satisfactorily, in the event that it has been stipulated that the payment of indemnity reduces the insured amount, and

3) In the case of foreign brokers, they must be companies and accredit that the entity is legally incorporated in its country of origin and that it can intermediate risks contracted from outside the country, indicating the date from which it has been authorized to operate. In this case, for the registration of these entities, they must designate a representative in Chile, who shall represent them with ample authority and may even be called to appear in court on their behalf. The representative must have residence in Chile.

In the event that the reinsurance brokers fail to meet any of the previously indicated requirements, the corresponding registration shall be eliminated.

The SVS, by means of a general rule, shall determine how, when and how often these must accredit all requirements established in the present article and the rules that apply in the event that a reinsurer, of those indicated in letter c) of the present article, fails to meet the risk rating requirement.

For the purposes of the present law, the Lloyd's of London insurance market shall be considered a reinsurance entity.

Article 16 bis.- Repealed

Article 17.- Companies must send the SVS, in the terms and manner indicated by means of a general rule, summaries on the number and types of policies issued, net production, reinsurance, transfers and, in general, any statistical information necessary to comply with what is established in letter l) of Article 3.

Additionally, it shall be the companies' Board of Directors that will be responsible for informing the SVS, in the terms and manner determined by general rule, of the company's general administration policies, regarding the following topics:

a) Investment;

b) The use of derivative instruments and the management of financial risks, and

c) Internal control.

In the annual financial statements, the board of directors must make note of the policies defined and include an analysis of the degree to which these have been complied with.

Article 18.- Companies must publish along with the balance sheets and annual financial statements, a list of their investments, whose requirements shall be established by the SVS by means of a general rule.

Article 19.- Every year the SVS shall publish a summary of the financial statements of the insurance companies, as referred to in the above article, in its magazines and bulletins, to show the situation of each company and the situation of all companies as a whole. It must also periodically publish statistical and financial information on the operations and situation of each and every insurance company. This publication must be available to the public and be sent to at least three national periodicals.

Article 20.- The insurance and reinsurance entities established in the country, in order to meet the obligations derived from the underwriting of insurance and reinsurance, must constitute technical reserves, in accordance with the actuary principles, procedures, mortality charts, interest rates and other technical parameters established by the SVS through general rules. Their modification or replacement must be communicated to companies at least 120 days in advance.

Technical reserves shall be classified within the following types:

1. Current risks reserves for obligations of a company with the policyholders, derived from premiums of short-term insurance contracts;

2. Mathematical reserves for obligations of a second-group company with the policyholders, derived from premiums of long-term insurance contracts;

3. Claims reserves for obligations to claims that have occurred and are pending payment, and to those that have occurred and not been reported;

4. Additional reserves for those risks whose claims rate is not well known, highly fluctuant, cyclical or catastrophic and that, as deemed by the SVS by means of general rules, is necessary to constitute for the normal insurance or reinsurance operations to be carried out;

5. Discrepancy reserves, for risks derived from a discrepancy in the term, interest rates, currency or investment instruments, between the company's assets and liabilities, and

6. Fund value reserves, in the part that corresponds to obligations generated from investment accounts in the second-group insurance that consider them.

The SVS, without prejudice to the compliance of the requirements established in article 16, by means of a general rule, shall establish the statutes and minimum requirements for reinsurance transfers, in order to be deducted from the calculation of technical reserves.

In any case, a company may only deduct from these reserves the premium actually paid to its reinsurer for the transfers corresponding to the risks assumed.

Nevertheless, in the case of insurance considered in D.L. N° 3,500 of 1980, and reinsurance transfers to foreign reinsurers, the reinsurance deduction may not exceed 40% of total technical reserves corresponding to the insurance indicated or a higher percentage established by the SVS. However, in the case of life annuities referred to by D.L. N° 3,500 of 1980, the mortality charts for the calculation of technical reserves shall be established by the SVS in conjunction with the Superintendencia of Pensions.

Article 20 bis.- Insurance companies must have at least two distinct and independent risk rating agencies listed in the Registry held by the SVS, in conformity with Title XIV of Law N° 18,045 on the Securities Market, as well as the continuous and uninterrupted rating of the obligations held with policyholders, in the form established by the SVS by means of a general rule.

The abovementioned Title XIV shall be applied supplementarily to the rating of the obligations of insurance companies in all that is not specifically regulated, with the understanding that all references to the issuer and values shall refer to insurance companies and their obligations with policyholders, respectively.

This rating shall be done considering the quantity and quality of investments and other company assets, the sufficiency of reserves in relation to the responsibilities assumed, the quantity and quality of reinsurance, profits obtained in the last few years, debt and level of company operations in relation to its equity, ratios of terms, currencies, and readjustability between assets and liabilities, the technical capacity and experience of the administration and any other information available, in categories that shall be denominated respectively with the letters AAA, AA, A, BBB, BB, B, C , D and E.

The category AAA shall be used for insurers with the lowest risk, and category D shall be applied to insurers with the highest risk. Category E shall be applicable to insurers who have not provided sufficient information in order to be rated.

Second-group insurance companies that present a risk rating lower than or equal to "BB" may not offer nor underwrite life annuities from D.L. N° 3,500 of 1980, while in this situation. For these purposes, the lowest rating obtained shall be considered.

In the event that a company can accredit that it is impossible to contract the risk rating referred to in this article, the SVS may order two entities listed in its registry to carry out the rating. The costs of this rating will be the responsibility of the company evaluated.

Article 21.- Technical reserves and risk equity of insurance and reinsurance entities, without prejudice to the deposits they hold in their checking accounts, must be backed by investments made with the following instruments and assets:

1. Fixed Income Investments:

a) Titles issued or guaranteed up to their full term by the State or issued by the Central Bank of Chile;

b) Fixed term deposits, mortgage loan notes, bonds and other debt or credit titles issued by banks and financial institutions;

c) Bonds, promissory notes and other debt or credit titles issued by public or private companies;

d) Participation in credit agreements in which at least one bank or financial institution that are not related to the company take part, in conformity with general rules ordered by the SVS, which must consider the credit risk of the debtor, and

e) Endorsable mortgage loans, as indicated in Title V of the present law, and

f) Money loan contracts granted to individuals or companies, whether by the same company, by other companies or by banks or financial institutions, which involve instruments that have executive merit. The credits referred to in this letter may not be granted directly or indirectly to anyone related to the company, according to the terms and conditions defined in article 100 of Law N° 18,045.

For the instruments indicated in this letter, the SVS shall establish, by means of a general rule, the way in which companies that grant credits referred to in the present letter must constitute reserves and how to punish those uncollectible credits and to apply to them what is established in article 31, number 4, of the Law on Income Tax, contained in D.L. N° 824 of 1974. In the same way, the SVS shall establish, by means of a general rule, the limitations, terms and requirements that the companies must meet in order to grant these credits.

2. Variable Income Investments:

a) Open corporation shares and shares of public infrastructure construction concessionaries. Shares of public infrastructure construction concessionaires will not be accepted as representative, when issued by persons related to the company.

b) Mutual funds shares whose assets are invested in national securities or assets;

c) Investment funds shares, whose assets are invested in national securities or assets;

3. Foreign investment:

a) Debt or credit titles issued or guaranteed up to their full term by foreign States or Central Banks;

b) Deposits, bonds, promissory notes and other debt or credit titles issued by financial institutions, companies or foreign or international corporations;

c) Shares of corporations incorporated outside the country;

d) Mutual funds or investment shares incorporated outside the country;

e) Mutual funds or investment shares incorporated inside the country, whose assets are invested in foreign securities, and

f) Non-residential real estate property located overseas.

The instruments indicated in this number may be acquired directly or through Securities Certificates of Deposits (CDs), as referred to in Title XXIV of Law N° 18,045.

The SVS, after consulting the Central Bank of Chile, by means of a general rule that must be published in the Official Gazette, shall establish the characteristics, rules and procedures that the investments indicated in this number shall be subject to, in order to be representative of technical reserves and risk equity.

The acquisition of the necessary currency to make investments referred to in this letter, and their remittance outside the country, as well as the return on and liquidation of capital and earnings and their conversion to national or foreign currency, shall be subject to the rules established by the Central Bank, in accordance with the authority granted to it by Basic Law.

The abovementioned Bank, by means of an agreement amongst its Council members, shall establish the maximum possible percentages to be invested, power that shall be executed prior report from the Superintendence. However, the maximum percentage of foreign investment established by the Central Bank may not be lower than twenty percent of the technical reserves and risk equity of the companies.

The investments in letter f) of this number shall only be calculated as representative investments of technical reserves generated from operations carried out in the corresponding office located in the respective country.

4. Real estate property, whose commercial valuation is done at least every two years, according to a general rule issued by the SVS. In the case of company real estate property, subject to lease-purchase contracts, the SVS shall establish the minimum provisions that these contracts must comply with, so that the real estate property is considered a representative investment.

Notwithstanding the above, the residential real estate property subject to lease contracts with or without purchase option, underwritten with persons related to the company, or whose use or enjoyment has been transferred to them for any reason, will not be accepted as representative.

5. Other Assets.

a) Non-expired credit for unpaid premiums granted to policyholders, derived from insurance contracts with a resolution clause for non-payment of the premium, in order to back all current risk reserves and up to 10% of the risk equity of first-group insurance companies;

b) Non-expired claims to be paid, caused by transfers made to reinsurers, in order to back all claims reserves and up to 10% of risk equity, with the exception of those claims that come from the transfers indicated in article 20, that cannot be deducted from the reserves, according to what is indicated in said article;

c) Non-expired credit from premiums derived from disability and survival insurance of D.L. N° 3,500 of 1980, in order to back all claims reserves, for second-group companies;

d) Advances made to life insurance policyholders, up to the amount of their rescue value, as long as these policies expressly indicate that the loan may be deducted from the amount of indemnity to be paid, by virtue of what is established in the policy or in its supplements, as corresponds.

Additionally, the receiving companies may back up their technical reserves with:

e) Loans granted to credit insurance policyholders, as referred to in article 11, who comply with the requirements, conditions and limits established by the SVS by means of a general rule, up to the amount of the insured credit.

f) Non-expired credit for unpaid premiums granted to first-group assignor companies by virtue of reinsurance contracts, in order to back all current risk reserves, and

g) Non-expired credit for paid premiums granted to first-group assignor companies by virtue of reinsurance contracts, in order to back all claims reserves.

6. Financial derivative products, in conformity with the limits and conditions established by the SVS by means of a general rule. The maximum limit of investment set by the SVS may not be lower than 0.5% nor greater than 3% of the technical reserves and risk equity of the companies.

7. Other investments that comply with the requirements, conditions and limits established by the SVS by means of a general rule, up to the maximum amount of investment, which may not exceed 5% of the companies' technical reserves and risk equity.

The investments indicated above, in order to be representative of technical reserves and risk equity, must meet the following requirements:

1. The instruments in letter b) of No. 1, must be rated, in conformity with Law N°18,045, in at least a risk category of BBB or N-3, as corresponds to long- or short-term instruments, respectively;

2. The instruments in letters a) and c) of No. 2 and the investment funds shares in letter 3) of No. 3, must be listed in the Securities Registry held by the SVS, in conformity with Laws N° 18,045 and 18,815, as corresponds;

3. The instruments in letter a) of No. 2, shall not be accepted as representative, in the case of shares of pension fund administrator or mutual fund companies, previsional health institutions, insurance or reinsurance entities, educational companies and those whose main function is to provide social benefits to their shareholders, or companies whose assets, in more than 50%, is constituted by shares and rights in the type of entities described above, and

4. The instruments in letters a) and b) of No. 3 must be rated by at least two rating agencies deemed by the SVS to have international prestige and recognition.

Companies may carry out operations for the coverage of financial risk that may affect their investment portfolio and their assets and liabilities structure, in the manner established by the SVS by means of a general rule.

At the same time, they may participate in short sale operations, through share loans that are representative of technical reserves and risk equity, in conformity with what is indicated in this article, in the manner determined by the SVS. Nevertheless, they may only grant shares that are representative of technical reserves and risk equity in these operations, up to a maximum of 10% of the total representative share portfolio of the company.

Article 21 bis.- Repealed.

Article 22.- The investment representative of technical reserves and risk equity may not be subject to taxes, prohibitions, embargos, lawsuit, precautionary measures, resolution or suspension conditions, nor be the object of any other official document or contract that impedes its free transfer. In the event that any investment be subject to these, it may not be considered representative of technical reserves or risk equity; those instruments whose risk of non-payment is insured or reinsured in full or in part by the same company may not be considered representative either.

However, by means of a general rule, shares of public infrastructure construction concessionaires indicated in letter a) of No. 2 of article 21, real estate properties indicated in No. 4 of the same article, and instruments granted as guarantee or margin of risk coverage operations indicated in the second to last paragraph of the same article, may be excluded from the above prohibition.

Article 23.- Investment in the distinct types of instruments or assets representative of technical reserves and risk equity indicated in article 21 shall be subject to the following maximum limits:

1. Limits by Instrument.

a) 5% of the total, for the sum of investments in the instruments in letter c) of No. 1 that are not listed in the Securities Registry of the SVS, or which are listed but do not have a risk rating, in conformity with Law N° 18,045, or have a rating lower than BBB or N-3, as corresponds. Those instruments issued by

national companies, outside the country, that have an international risk rating greater than or equal to BBB shall be exempted from this limit;

b) between 3% and 5% of the total, according to what is established by the SVS by means of a general rule, for the sum of investments in the instruments listed in letter d) of No. 1;

c) 30% of the total, in those instruments in letter e) of No. 1, for second-group companies, and 30% of only risk equity for first group companies;

d) between 1% and 5% of the total, according to what is established by the SVS by means of a general rule, for the sum of investments in instruments in letter f) of No. 1. In any case, a credit may not be granted to a single person, directly or indirectly, for a sum that exceeds 5% of the abovementioned limit. Even so, this limit of concentration may not exceed the equivalent of 10,000 U.F. Without prejudice to the corresponding sanctions, credits in excess of the limits set in this paragraph, shall not be representative of technical reserves and risk equity;

e) 40% of the total sum of investments in instruments in No. 2. The total investment in shares of public infrastructure construction concessionaires cannot exceed 5% of the total; f) 5% of the total, in those instruments in letter a) of No. 2 that do not meet the market presence requirement established by the SVS by means of a general rule. This limit will not be applicable to the investment in shares of public infrastructure construction concessionaires;

g) 10% of the total, in investment funds in letter c) of No. 2;

h) Repealed.

i) 5% of the total, for the sum of investments in instruments in letters a) and b) of No. 3 that present an international risk rating lower than BBB or N-3, or their equivalent as corresponds to long- and short- term instruments, respectively;

j) for the sum of investment in instruments of letters c), d), and e) of No. 3, the Superintendence by means of a general rule will establish the maximum possible percentages of investment. Nevertheless, the maximum investment percentage for the aforementioned instruments cannot be less than 10% of technical reserves and risk equity of the companies;

k) 3% of the total, in those assets in letter f) of No. 3;

l) 25% of the total, in assets of N° 4, for second-group companies, and 30% of only risk equity for first-group companies. Nevertheless, in the case of non-residential real estate property subject to lease contracts, with or without purchase option, that second-group companies underwrite with related persons, the limit will be equal to 5% of the total, and to 5% of only risk equity for first-group companies.

Additionally, in the case of residential real estate property, a limit of 5% of the total will be applied to second-group companies, and 5% of only risk equity for first-group companies, and

m) 20% of the total, in those assets in letter 3) of No. 5.

2. Joint Limits.

a) 25% of the total, for the sum of investments in those instruments included in letters b) and c) of No. 1 that present a risk rating lower than or equal to BBB or N-3, as corresponds to long- and short-term instruments, or that, in the case of the instruments in letter c) of No. 1, do not have a risk rating;

b) between 10% and 20% of the total, according to what is established by the SVS by means of a general rule, for the sum of investments in the instruments included in letters b), c) and d) of No. 1 and a)

of No. 2, issued by corporations, banks, financial institutions and companies pertaining to a single corporate group. This limit will be reduced to half if the investor company is part of a corporate group;

c) 10% of the total, for the sum of investments in the instruments included in letters b), c) and d) of No. 1 and a) of No. 2, issued or guaranteed by a single entity, or its respective branches. This limit will be reduced to half, if the investor company is part of the same corporate group as the issuer;

d) 40% of the total, for the sum of investments in the instruments in letter e) of No. 1 and investment funds in letter c) of No. 2, when they invest in assets indicated in numbers 10, 11, 12, 13 and 15 of article 5 of Law N° 18,815, real estate property in No. 4, assets related with the real estate sector included in No.7, and bonds or promissory notes in letter c) of No. 1, issued by securitizing corporations indicated in Title XVIII of Law N° 18,045, that are backed by transferable credit titles, related to the real estate sector, for second-group companies and 50% of only risk equity for first-group companies;

e) 5% of the total, for sum of investments included in letters b) and c) of No. 3, issued or guaranteed by a single entity. This limit will be reduced to half, when the issuer is a person who is related to the company;

f) 10% of the total, for the sum of investments in the funds indicated in letters b) and c) of No. 2 and e) of No. 3, managed by a single mutual funds or investment funds management entity;

g) 1% of the total, for the sum of investments in the instruments in letters c) of No. 1 and a) and b) of No. 3, included in letters a) and i) of No. 1 of the present article, as corresponds, issued by a single entity or its respective branches;

h) 10% of the total, for the sum of investments in the following instruments:

i) Instruments in letter f) of No. 1; ii) Instruments in letter a) of No. 2 that do not meet the market presence requirement established by the SVS by means of a general rule. This limit will not be applicable to the investment in shares of public infrastructure construction concessionaires;

iii) Instruments in numbers 6 and 7;

iv) Instruments in letter c) of No. 1 and a) and b) of No. 3, included in letters a) and i) of No. 1 of the present article, and

i) 2% of the total, for the sum of investment in shares of public infrastructure construction concessionaires, issued by the same entity or its respective branches.

Article 24.- Without prejudice to the above article, the SVS, by means of a general rule, may establish diversification limits by issuance, for investments that back the technical reserves and risk equity indicated in article 21, considering the following ranges:

a) between 10% and 20% of total deposits and collections and total mortgage notes issued by a bank or financial entity, in the case of the instruments in letter b) of No. 1;

b) between 20% and 30% of the issuance or series, in the case of the instruments in letter c) of No. 1;

c) between 20 and 40% of participation, in the case of the instruments in letter d) of No. 1;

d) between 8% and 20% of total subscribed shares, in the case of the instruments in letter a) of No. 2, and

e) between 20% and 30% of total subscribed shares of a mutual or investment fund, indicated in letters b) and c) of No. 2 and d) and e) of No. 3.

The SVS shall fix the limits indicated above for minimum periods of one year, and must communicate any modification to these three months in advance before the end of the term.

In the case of insurance with an investment account, the SVS may include or exclude from the investment limits established in articles 23 and 24, by means of a general rule, investments that back fund value reserves when these are invested in the instruments indicated in letters b) and c) of No. 2 and in letters d) and e) of No. 3 of article 21.

Article 24 bis.- If an investment representative of technical reserves or risk equity or the combination of these exceeds any of the diversification limits established by the present law, the excess shall not be accepted as back-up for these reserves nor for risk equity. Those investments that have failed to comply with the requirements indicated in the present law in order to be representative of technical reserves shall not be applicable either. However, if this event is produced exclusively by a change in the risk rating, the investments affected may continue to back technical reserves and risk equity for a period no greater than 6 months from the date of the change. Nevertheless, 50% of these investments may continue to serve as back-up for a period longer than six months. In the case of acquiring new such instruments during the period indicated, the company may not use them to back up its technical reserves and risk equity.

Article 25.- Companies shall keep records that meet the requirements indicated by the SVS for these purposes, in which they shall list titles, documents and assets representative of the total amount of technical reserves. The same type of records shall be kept for investments that back equity.

The SVS shall have the authority to establish, if it deems it is necessary to protect the policyholders' interests, rules regarding the safekeeping of transferable titles and securities that back technical reserves and risk equity.

Article 26.- Repealed.

Article 27.- An insurance company of any nature may transfer all or some of its business, by means of a transfer of the corresponding portfolio to another insurance entity that operates in the country, in accordance with legal statutes.

The transfer of business or portfolios referred to in the above paragraph, and mergers or divisions of insurance entities shall require special authorization from the SVS, and must be carried out in conformity with the general rules established for this purpose.

In every case, the policyholders must be informed, and the conditions of the transfer may not encumber their rights or modify their guarantees.

When the transfer of business or a portfolio, as referred to in the above paragraphs, is carried out by virtue of the authorities established in articles 71, 74 and 82, revocation actions or unenforceable insolvency shall not be appropriate, and in this case the presumptions considered in articles 219, 220 and 221 of Law N° 18,175 shall not be applicable.

Article 28.- Reinsurance does not change the contract between the direct insurer and the policyholder in any way, and its payment, in the case of a claim, may not differ based on the reinsurance.

Article 29.- Any litigation issues that arise due to the direct insurance and reinsurance contracts subject to the present law shall be submitted to Chilean jurisdiction or considered void if not done so.

Nevertheless, when a controversy about reinsurances arises, the parties can agree for it to be resolved according to the international commercial arbitration rules provided for in the Chilean Law.

Article 30.- The Commander in Chief of a Fire Brigade that has participated in work related to any fire claim must send a written report to the Public Ministry, specifying the volunteer who led such work; the place in which it occurred and the state in which the affected property was found; a substantiated relationship between the operations carried out and their result; and the conclusions that, based on his knowledge and experience, he is able to formulate regarding the origin of the fire and the causes that provoked it.

Article 31.- When a fire takes place in a commercial or industrial establishment, the Public Ministry, with authorization from the investigative judge, shall seize the books and papers of the damaged property, acting in conformity with the corresponding procedure established by the Penal Procedure Code.

Both the public prosecutor and the police officials, as is the case, must ensure that the measures adopted do not interfere with the tasks of putting out the fire and the recovery and safekeeping of property.

Article 32.- Once a claim has occurred, the place occupied by the commercial or industrial establishment and the process of recovery shall be under the control of the Public Ministry, who shall take the necessary measures to avoid greater damages.

If insurance is involved, the investigative judge, upon request from the Public Ministry, may authorize for the abovementioned place and recovery to be handed over to the official claims adjuster named by the insurance companies and under their responsibility.

For the purposes of the above paragraph, the Chilean Insurers Association or in its absence an entity indicated by the SVS must, upon request from the Public Ministry, provide a report on the existence of insurance involved in the claim.

Article 33.- Neither the insurer, nor the policyholder, nor the two in conjunction may arrange for the process of recovery without authorization from the public prosecutor directing the investigation, who must grant it once the proceedings ordered have been carried out, or beforehand if they do not appear to be hindered by such an order.

Whatever is produced by the carrying out of the recovery process shall be placed under the authority of the investigative judge during the first twenty days of investigation, with the exception of the expenses that may be paid immediately before the presence of the Public Prosecutor, the claims adjuster and the policyholder.

Article 34.- Repealed.

Article 35.- Twenty days after the initiation of the investigation, the investigative judge shall hand over whatever was produced from the recovery process to its owner, and the insurance companies may pay the insurance involved, unless the Public Prosecutor has formalized an investigation against the claimant and has requested that the recovered products be ordered retained as a precautionary measure.

Article 36.- If by virtue of the law, the underwriting of insurance is obligatory or required for an activity to be carried out, the policyholder or beneficiary, as corresponds, may request that difficulties that have arisen with the insurance company be resolved before the Provincial Courts, in spite of the fact that there is an agreement or agreement clause included in the policy. If the policyholder or beneficiary is a company and the amount of the annual premium is greater than 200 U.F., the agreement or agreement clause shall extend its jurisdiction.

Article 37.- In order to obtain prior authorization in article 126 of Law N° 18,046, parties interested in the incorporation of an insurance entity must:

a) Report the identity of the controllers and shareholders, as long as they have participation greater than or equal to 10% of the capital and they have the ability to elect at least one member of the Board of Directors;

b) Validate that their controllers and shareholders are not affected by the situations referred to in letters a), b) and c) of article 44 bis. of the present law, and

c) Validate that their controllers and shareholders possess a consolidated net equity equal to or greater than their contribution.

The SVS may deny authorization by means of a well-founded resolution, when the above requirements and others required by law are not met.

Article 37 bis.- In order to obtain prior authorization in article 126 of Law N° 18,046, the founding shareholders of a second-group insurance company must:

a) Possess an individual or joint consolidated net equity equivalent to the projected investment and, report any time this drops to a lower figure, in a timely manner.

b) Not have committed serious or repeated behavior that could put the stability of the insurance entity or the security of the policyholders at risk.

c) Not have taken part in actions, negotiations or legal acts of any kind that are contrary to the laws, rules and better banking, financial and commercial practices that prevail in Chile or abroad.

d) Not be affected by the following situations:

i) A non-discharged bankruptcy;

ii) During the last fifteen years, from the date when authorization is requested, there has been a director, manager, main executive or majority shareholder, directly or through third parties, of a banking entity, a second-group insurance company or a Pension Fund Manager that has declared mandatory liquidation or bankruptcy, as is the case, or submitted to provisional management, regarding which the Treasury or Central Bank of Chile have incurred considerable losses. For these purposes, a person whose participation lasted for less than one year shall not be considered;

iii) They register a considerable number of protests of documents that have not been clarified during the last five years;

iv) They have been sentenced or are in the process of being formally accused of committing the following crimes:

(1) against property or the falsification of public documents;

(2) against administrative integrity, against national security, tax or customs crimes, and those contemplated in the laws against terrorism and money laundering;

(3) those contemplated in Law N° 18,045, Law N° 18,046, D.F.L. N° 3 of 1997, D.L. N° 3,500 of 1980, Law N° 18,092, Law N° 18,840, D.F.L. N° 707 of 1982, Law N° 4,702, Law N° 5,687, Law N° 18,175, Law N° 18,600, Law N° 4,097, Law N° 18,112, laws on Pledges and the present law;

v) They have been sentenced for a felony crime or been disqualified from carrying out public positions or offices;

vi) They have had any of the following measures applied to them, either directly or through companies, as long as the claim period has expired or the appeals filed against them have been rejected by final judgment:

(1) mandatory liquidation has been declared, or their business activities have been submitted to provisional management, or

(2) their authorization to exist or to carry out operations has been cancelled, or their registration in any registry required for operation or to make a public share offering has been cancelled due to a legal infraction.

In the case of a company, the requirements established in this article shall be considered with regards to their controllers, majority partners or shareholders, directors, administrators, managers and head executives, on the date of request.

The SVS shall verify compliance with these requirements, and in order to do so may request that they provide the information indicated; and in the case of rejection, it shall be justified in a well-founded resolution.

Founding shareholders of a second-group insurance company shall be considered those that have significant participation in its property, according to the rules of article 38.

Article 38.- As demanded by national interest, once the existence of an insurance entity has been authorized, it must inform the SVS of any change in shareholder ownership that involves a shareholder who gains participation greater than or equal to 10% of the capital, and the shareholder must accredit the requirements indicated in letters a) and b) of the first paragraph of the previous article. Prior to accrediting the requirements indicated before the SVS, the shareholder may not exercise his right to vote given by these shares.

Article 39.- The SVS will have a period of 30 days, from the date in which the request for registration or authorization and the respective information is presented to decide upon them. This period will be suspended if the SVS, via written communication, requests that the applicant provide additional information or that he modify the request or correct the corresponding information because it does not meet current legal, regulatory and administrative statutes. This period will only be resumed once these procedures have been carried out.

Once the errors have been corrected or the observations made have been attended to, as is the case, and at the end of the period indicated in the above paragraph, the SVS shall respond to the request, as it sees fit.

Even so, after 60 days from the presentation of the request, the applicant may petition that it be resolved with the information in the possession of the SVS. Under these circumstances, the SVS has 5 working days from the date of such petition to approve or reject the request, and provide a well-founded resolution in the case of rejection.

Article 39 bis.- During a period of 90 days, the SVS may refuse, through a well-founded resolution, authorization to a second-group company if its founding shareholders do not meet the requirements in article 37 bis.

If the SVS does not order a refusal resolution during the period indicated, the application of positive administrative silence may be necessary as indicated in Law N° 19,880.

However, in exceptional and serious cases related to circumstances that, by nature, make it difficult to inform the public, the SVS may put off the announcement one time for a period of 120 days in addition to that indicated in the first paragraph. The respective resolution may omit all or part of its legal considerations and, in this case, the considerations omitted must be informed confidentially to the Ministry of Finance and, at the same time, to the Central Bank, the State Defense Council, the Financial Analysis Unit or the Public Ministry, as needed.

Once authorization to exist has been requested and is accompanied by an authorized copy of the public deed that includes the statutes, the Superintendente will check the validity of the capital of the second-

group insurance company. Once this has been demonstrated, he will issue a resolution authorizing the existence of the company and approve its statutes.

The SVS shall send a certificate accrediting this circumstance and containing an extract of the statutes, which must be registered by the interested party in the Commercial Registry of its legal residence and published in the Official Gazette during a period of sixty days from the date of the approval resolution. The same must be done for any reforms made to the statutes or for resolutions that approve or order the expected dissolution of the company.

Once the procedures referred to in the above paragraph have been carried out, the SVS will verify, during a period of 9 days, that the company is prepared to begin operation and especially, that it possesses the professional and technological resources as well as the procedures and controls to adequately carry out its functions.

Once these requirements have been met, the SVS, during a period of 30 days, shall grant authorization for it to function. At the same time, it shall establish a term no longer than one year for it to officially initiate its activities, which will enable it to begin its operations, and give it the authority and obligations established in the present law.

Article 40.- Banks, cooperatives,, administrative agents of endorsable mortgage loans, family allowance clearinghouses, and any other entity allowed to grant mortgage loans, hereafter lending entity who pursuant to mortgage operations with individuals take out disability or death protection and fire insurance,, and extra coverage such as earthquake and coastal flooding, on behalf of their clients, in order to protect the collateral or the payment of the debt upon determined events that affect the debtor, shall meet with the following provisions during the bidding process referred to in this article:

1. Insurances shall be collectively underwritten by the lending entity to its debtors, through public bidding with predetermined procedure. In such bidding, the offers will be received and made public in just one session.

2. Companies whose lowest risk classification is equal or less than BBB, cannot take part in the bidding.

3. Insurances shall be designated by the lending entity to the bidder that gives the lowest price, including the insurance broker commission, when applicable, unless after starting the bidding process and before its allocation, the bidder´s solvency had been notoriously impaired by an unexpected event. In such case, the Board or the main governing body of the lending entity, publicly and with good reasons, prior classification of that event made by a risk rating agency previously indicated in the procedure, may allocate the bidding to the second-best price.

The lending entity may replace the broker included in the allocated offer, maintaining the same intermediation commission considered in said offer, as long as it is foreseen in the procedure.

4. Insurances shall be exclusively agreed on the basis of a premium, expressed as a percentage of the insured amount of each risk. The premium shall include the insurance broker commission, if there is one, which shall be expressed only as a percentage of the premium.

5. Commissions or payments in favor of the lending entity associated with underwriting or administration of these insurances, premiums collection, or by any other concept, excepting the creditor´s right to pay off its credit with the compensation in the case of claim, cannot be stipulated.

6. Any amount that the insurer gives back or refunds due to better accident rate, premiums volume, quantity of policyholders, or any other similar reasons, shall belong to the insured debtor

7. The Superintendence of Securities and Insurance and the Superintendence of Banks and Financial Institutions, shall issue a joint rule that governs the bidding process, and the minimum requirements considered in the bidding procedure. Said rule may consider, among other aspects, the following:

a. Insurance coverage to be bidden.

b. Coverage and contract duration

c. Technical and equity requirements for the insurance brokers.

d. Aggregated statistic information on the bidding portfolio, that the lending entity shall provide to the insurers for the execution of the offer.

e. Segmentation criteria of the portfolio to be bidden.

f. Services that will be required from the bidder insurers and insurance brokers.

g. Measures to be established by the lending entity to protect its database.

h. Minimum information to be provided by the lending entity to the insurer during the term of insurance.

The aforementioned rule will regulate the minimum information that lending entities, insurance brokers, and insurance companies shall provide to the insured debtors regarding the contracted insurance coverage, and its operation in the case of accident, including terms and criteria to be considered for the transfer of the corresponding compensations to the debtor.

The foregoing is subject to the debtors' right to individually and directly contract insurance referred to in this article, with an insurer of its choice. At all events, the lending entity cannot require coverage or conditions of the debtor, different to those considered in the bidden insurances, nor can accept an individual policy with smaller coverage than the bidden insurance policies.

These provisions shall be also applicable to insurances related to mortgage loans granted to legal persons with characteristics similar to the operations with individuals referred to in this article, in terms of purposes and object of mortgage loans, according to the provisions established in the aforementioned joint rule.

Subject to the provisions of letter g., the insurers and insurance brokers allocated with biddings, shall keep reserve of the databases received from lending entities in virtue of letter h., unless said entity releases them. Whoever discloses or uses them to the detriment of the lending entity, shall respond for the damages and losses, in addition to other sanctions said infringement may warrant.

The Superintendence of Securities and Insurance shall establish by general rule, the minimum coverage and requirements that insurances related to mortgage loans shall provide, as referred to in this article, both for those contracted directly by the debtor, and for those contracted by the lending entity on his behalf. The aforementioned rule shall be sent for consultation to the Superintendence of Banks and

Financial Institutions.

The provisions of this article shall be also applicable to the insurances that must be contracted in virtue of residential lease-to-own agreements, concluded by real estate corporations, in accordance with the provisions of law N° 19,281.

3. Infractions

Article 41.- Insurance Companies, their Directors, dependents, intermediaries, sales agents or other persons that participate in the commercialization of provisional life annuities considered in D.L. N° 3,500 of 1980, may not offer or grant to affiliates or beneficiaries any incentives or benefits apart from those established in that decree law, in order to acquire a contract. This infraction shall be sanctioned as established in D.L. N° 3,538 of 1980.

Those who have been sanctioned under the conditions indicated in the above paragraph, who once again offer or grant to affiliates or beneficiaries incentives or benefits as established in D.L. N° 3,500 of 1980, in order to acquire a life annuities contract, shall be sanctioned with imprisonment for the minimum term.

Article 42.- Repealed.

Article 43.- Infractions to rules that regulate the underwriting of reinsurance, shall be punished with a fine of up to ten times the premium granted or with the sanctions established in the following article.

Article 44.- In the event of non-compliance with the orders issued by the SVS, or when companies do not comply with the legal, regulatory or statutory provisions that they are subject to, the SVS may sanction them, and provide the corresponding written resolution. The sanctions will consist of:

1º. Countersuit;

2º. A fine paid to the State, in the form and amounts established in D.L. N° 3,538 of 1980;

3º. Administrative suspension for up to six months;

4º. The suspension of all or some operations up to six months; and

5º. The revocation of the authorization to exist, by resolution from the SVS.

The sanctions indicated in numbers 1 and 2 may be applied to the company or to the persons in the position of director, manager or other representatives at the time when the infraction was committed, unless they can prove their lack of participation in or opposition to this infraction.

In the case of number 5, the SVS, at the moment of announcing its revocation resolution, shall assume the management of the company in order to proceed with its liquidation, and must, at the same time, make these circumstances known regarding the registration of the company and publish a one-time announcement in the Official Gazette informing this event.

Article 44 bis.- The following people may not participate in the activities ruled by the present law as directors, managers, administrators, agents or legal representatives of an insurance, reinsurance, insurance brokerage, claims adjustment or mortgage fund management entity, nor may they exercise the function of insurance broker or claims adjuster:

a) those sentenced for felony crimes or those crimes referred to by the present law;

b) non-discharged bankruptcies or those who have been prohibited or disqualified from operating; and

c) those who have been sanctioned by the SVS, and had their registration in any of the registries held by the SVS revoked by virtue of the present or any other laws, or those who have been the administrators, directors or legal representatives of a company sanctioned in the same way or with the revocation of its authorization to exist, unless their responsibility has been removed in the way indicated by law or they accredit not having participated in the events in question.

Article 45.- The SVS may sanction the sales agents of insurance companies or insurance brokers in the cases and in the manner established in article 28 of D.L. N° 3,538 of 1980.

Article 46.- With the exception of those companies considered in the second paragraph of article 4, and only regarding the insurance indicated in the same paragraph, foreign insurers may not offer or underwrite insurance in Chile, directly or through intermediaries. Those that go against this prohibition, acting as the representative of a foreign entity or as an intermediary, shall be sanctioned with imprisonment for the minimum term.

Nevertheless, when a person exercises the right granted by article 4 to underwrite insurance abroad, the insurer may inspect the risk of the item it wishes to insure, liquidate and pay claims suffered and also charge and receive the premium negotiated in Chile.

Article 47.- A company that makes an indemnity payment for a claim to a policyholder, when there is a current precautionary measure that prohibits this payment, shall incur a sanction as determined by the SVS, in relation to the severity of the infraction.

Article 48.- Those who act as insurance brokers, reinsurance brokers, sales agents, endorsable mortgage loan managers and claims adjusters, without being listed in the Registries as required by the present law or whose registration has been suspended, eliminated or revoked, and those who have knowingly enabled them to do so, shall be punished with fines of between 20 and 200 monthly tax units.

Article 49.- The following shall be sanctioned with imprisonment for the medium to maximum term:

a) Those who maliciously provide false information or that certify false facts to the SVS, regarding a person or supervised entity in conformity with the present law, and

b) Accountants or auditors that give a false report regarding the financial situation of a person or supervised entity in conformity with the present law.

Article 50.- The directors and employees of an insurance company, that carry out or permit operations to be carried out which are prohibited by the present law, shall respond personally and financially respond for losses that these operations have brought to the company, without prejudice to the corresponding punishments in conformity with the law.

The administrators and managers of insurance companies shall have the same responsibilities and shall be subject to the same rules as the directors and managers, as is the case, of open corporations.

Article 51.- If any person or entity performs in any way the sale of insurance or reinsurance going against the provisions of articles 4 and 46, the SVS may close the offices and establishments in which these activities are carried out. In order to do this, the respective Intendente or Governor, upon request from the Superintendente, shall provide the aid of law enforcement, without prejudice to the application of the sanction considered in the first paragraph of article 467 of the Penal Code.

Operations that have been carried out shall be liquidated by a liquidator designated by the respective investigative judge, upon the proposal of the Public Ministry.

4. Foreign Company Agencies

Title II

THE RATING OF REPRESENTATIVE INSTRUMENTS OF TECHNICAL RESERVES AND RISK EQUITY

Article 52.- Repealed.

Article 53.- The ratings alluded to in articles 21 and 23, in the case of domestic investment, shall be carried out by two risk rating entities, in the manner established in Law N° 18,045. For the purposes of the application of the rules established in these articles, the lesser of the ratings obtained shall be considered, unless the SVS, by means of a general rule, establishes a different procedure, considering the number of differing ratings, earlier ratings and others that it determines for the purposes of diversifying companies' investments.

Without prejudice to the above paragraph, the companies may, for the purposes of the present law, contract directly with the rating entities, the rating of instruments that they possess and which have not been rated.

The rating contracts celebrated by companies must meet the requirements and demands considered in Law N° 18,045 for these documents.

Article 54.- Companies must consider the rating of instruments as indicative of risks and diversify their investments according to these ratings.

Article 55.- Repealed.

Article 56.- Companies that have backed technical reserves and risk equity with company shares in which the State, directly or through its companies, decentralized, autonomous or municipal institutions, or another company, holds fifty percent or more of the subscribed shares and that, by nature, are submitted to special rules regarding the fixing of rates or market access, may exercise the right to withdraw from the company under the conditions established in article 69 bis or Law N° 18,046 on Corporations.

Title III

INSURANCE SALES AUXILIARIES

1.- Insurance Brokers

Article 57.- Insurance may be underwritten directly from an insurance entity, or through one of its sales agents, or by an independent insurance intermediary.

Sales agents are those who dedicate themselves to the commercialization or sale of insurance on behalf of a company, without lending such services to more than one insurance entity in each insurance group, with the exception of sales agents of companies that, in conformity with article 11 of the present law, cover credit risks, which may, at the same time, lend services to a first-group insurance entity that is not able to cover these risks.

These agents must be listed in a special registry held by the SVS or the insurance entity, as determined by general rule; they are subject to its supervision and may be obliged to meet the requirements for insurance brokers given in the below articles 58 and 59.

Infractions, errors or omissions committed by the sales agents while carrying out their job shall be the responsibility of the insurance entity.

Insurance brokers are insurance sales auxiliaries, who must provide consultation to a person who desires to take out an insurance policy through an intermediary, offering that person the best coverage to meet their needs and interests, and instructing them on the conditions of the contract. They must assist policyholders throughout the term of the policy, especially in the corresponding modifications and at the moment in which a loss occurs. They must also provide consultation to the insurance company, verifying the identity of the contracting party, the existence of insurable items and providing them with all information they possess regarding the proposed risk.

Brokers must provide all of their clients with information regarding the diversification of their business and the companies with which they work, as determined by the SVS.

For the intermediation of pension insurance, they must be registered in the Registry of Pension Consultants referred to in Title XVII of D.L. N° 3,500 of 1980. These intermediaries shall be subject to the obligations and requirements corresponding to Pension Consultants as established in the abovementioned decree law.[2]

Insurance companies are strictly prohibited from providing, directly or indirectly, incentives for volume of intermediated insurance to pension consultants who intermediate pension insurance contracts referred to by D.L. N° 3,500 of 1980.[3]

Insurance companies may offer, quote or underwrite insurance contracts using the continuous mechanisms of public auction from the entities authorized by the SVS and which will be subject to the rules determined by this organization.

The use of continuous mechanisms of public auction does not exclude the participation or the responsibility of insurance sales auxiliaries in insurance consultation and intermediation.

Article 58.- In order to carry out operations, insurance brokers must be listed in the Registry held by the SVS and meet the following requirements:

a) Be Chilean or a foreigner with legal residence in Chile, bearing a valid alien identification card, and be of legal age;

b) Have an impeccable commercial record;

c) Accredit sufficient knowledge about insurance sales, in the manner and as often as the SVS determines by general rule and, also, to possess a high school diploma or equivalent studies;

d) To provide a guarantee, in a bank form or by underwriting an insurance policy determined by the SVS for an amount greater than 500 U.F. or 30% of the net premium of insurance contracts intermediated during the previous year, which ever is greater, with a maximum of 60,000 U.F., in order to respond correctly and fully to all obligations derived from their operations and, especially, to any harm that may occur to the policyholders that contract through them;[4]

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[2] ***Paragraph added by article 96, No. 2, numeral i) of Law N° 20,255, dated March 17, 2008. It will become effective as of October 1, 2008. In conformity with the sixth paragraph of statutory article 32 of the abovementioned law, insurance brokers for life annuities shall continue to be able to intermediate life annuities until April 30, 2009 (the last day of the sixth month after October 1, 2008).***

[3] ***Paragraph modified by article 96, No. 2, numeral ii) of Law N° 20,255, dated March 17, 2008. It will become effective as of October 1, 2008.***

[4] ***Letter modified by article 96, No. 3, of Law N° 20,255, dated March 17, 2008. It will become effective as of October 1, 2008.***

e) In the case of companies, having been legally incorporated in Chile with this specific function, and to accredit the contracting of the guarantee referred to in the above letter. Additionally, its administrators and legal representatives must meet the requirements listed above, with the exception of the above letter, and not register the inabilities established in the present law. The administrators, legal representatives or employees of a company, may not perform insurance brokerage independently, nor may they work for an insurance company nor any other person dedicated to insurance brokerage.

This registry may be subdivided into branches or types of insurances, as determined by the SVS, and insurance brokers may operate as such in one or all of these areas.

Those who participate in the intermediation of insurance on behalf of brokers may be obliged to meet the same requirements as the sales agents of companies, and they shall be subject to the same sanctions as these.

Insurance brokers must maintain a list of the people who participate in intermediation on their behalf, and should be in charge of verifying that these meet the established requirements.

The people indicated in letters a), b) and c) of article 44 bis. and in letters a) and b) of article 59, brokers who are suspended from operating by resolution of the SVS and administrators and legal representatives of a brokerage company that are in the same situation may not participate directly or indirectly in more than 15% of the property of a company dedicated to insurance brokerage. In the event that they are suspended once they have acquired participation, they will be deprived of exercising the company political rights derived from this participation for the duration of their suspension.

Article 58 bis.- Without prejudice to the above article, individuals or companies established in the territory of a country with which Chile holds a current international agreement that allows the underwriting of such insurance from that country may intermediate insurance in Chile for international maritime transportation, international commercial aviation and international trade merchandise. In any case, the intermediaries referred to in this paragraph must meet the terms and conditions established in the respective agreements and in national legislation.

Article 59.- The following may not be insurance brokers:

a) The directors, managers, legal representatives or agents of an insurance or reinsurance entity, claims adjusters, administrators or legal representatives of a claims adjustment company, and employees of nay of the above entities, and

b) The directors, managers, legal representatives or employees of a pension fund manager, the persons who perform, in any way, the activity of promoting and incorporating affiliates to a pension fund manager and, in this case, those that have been eliminated from the Registry held by the SVS for this branch, exclusively with respect to insurance intermediation for pension life annuities. Additionally, the persons referred to in this letter may not be administrators, legal representatives or employees of a company dedicated to this activity

Article 60.- Brokers are required to send the insurance companies the premiums and documents that they receive for the policies they intermediate no more than two business days after receiving them, except with written power of attorney granted by the company. They may not sign, cancel, annul or void, or modify in any way the term, coverage, premium or method of payment of the policies they intermediate, without written authorization from the policyholder.

2.- Claims Adjusters

Article 61.- Insurance claims adjustment may be performed directly by the companies or subcontracted from an adjuster registered with the SVS, excluding legal exceptions. However, the

insurance policyholder or beneficiary may demand, in the manner and length of time established by Regulations, that the adjustment be performed by a registered adjuster.

The objective of claims adjustment is to determine that a loss has occurred, if the risk is covered by a determined company, and the amount of the indemnity payment, all in conformity with the procedure established by regulations.

Adjusters that must report a claim may request from the Public Ministry or administrative authorities that they because of their role may be given relevant information about the event, knowledge or a certification of the points necessary for adjustment. The same authority will be held by the company agents in charge of performing the respective adjustment, when this has not been handed over to a claims adjuster.

In the exercise of their functions, and without prejudice to their legal and regulatory obligations, claims adjusters must remain independent and autonomous in their work, guaranteeing impartiality and objectivity in the adjustment process, and ensuring that their opinions be issued strict adherence to the technical criteria.

Article 62.- The registration of adjusters may be divided by branch according to the type of insurance involved, and the registered person must always comply with the requirements of the corresponding branch or branches.

In order to be registered claims adjusters must:

a) Meet the requirements of letters a) and b) of article 58; be in possession of a high school diploma or equivalent studies; accredit sufficient knowledge about insurance sales in the manner and as often as determined by the SVS by general rule, and must not be affected by any of the circumstances indicated in article 44 bis;

b) To provide a guarantee, in a bank form or by underwriting an insurance policy determined by the SVS for an amount greater than 500 U.F. or 30% of the net premium of insurance contracts intermediated during the previous year, which ever is greater, with a maximum of 60,000 U.F., in order to respond correctly and fully to all obligations derived from their operations and, especially, to any harm that may occur to the policyholders that contract through them;

c) Not be a public auctioneer, customs agent, insurance broker, director, manager, representative or employee of any of these or of an insurance or reinsurance entity.

d) In the case of companies, have been legally incorporated in Chile with this specific objective and that their administrators and legal representatives meet the requirements demanded of other adjusters.

Article 63.- The following are the obligations of adjusters:

a) To investigate the circumstances of the claim in order to determine if the insured risk is included in coverage of the policy;

b) To determine the value of the insured object at the moment of the loss, the amount of the damages and the sum that corresponds to indemnity, providing a well-founded acceptance or rejection of indemnity to the insurer and policyholder;

c) To propose to both parties urgent measures that must be adopted in order to avoid increases in damage and carry these out upon prior written authorization from the owner or party responsible for the property involved in the claim, without prejudice to the obligations of the policyholder, and

d) All other established by regulations.

In the fulfillment of their obligations, adjusters shall respond up to ordinary negligence.

Article 64.- Adjusters are prohibited from:

a) Performing adjustments in which they hold interest due to a family relationship or their relationship with the persons affected or with the ownership of the involved items, in accordance with regulations, and

b) Lending services or assuming along with the companies responsibilities apart from those indicated in the present law and regulations, and from directly or indirectly receiving economic benefits from the insurer, policyholder or third parties, apart from their professional fees, and retaining for themselves or for other related persons the items or products of a recovery they have performed.

c) Responding to claims in which the adjuster holds current direct or indirect interest.

d) In the position of a natural person, administrator, legal representative, agent or employee, assuming the judicial representation of companies in lawsuits filed against them by policyholders.

Title IV

REGULARIZATION OF INSURANCE COMPANIES

1. Due to an Equity Deficit

Article 65.- The reduction of a company's equity below the minimum established in articles 7 or 16, as is the case, must be corrected during the period of time and under the conditions indicated below.

When a company's equity drops below the abovementioned minimum, the company shall present to the SVS, within 2 business days from the discovery of the event, a detailed explanation of the reasons behind this event and, within six business days from the same date, a list of the measures that it has adopted or will adopt in order to correct this problem.

In the event that the company does not notify the SVS of or, even, indicates a false date of discovery, this date will be established by the SVS, without prejudice to the application of sanctions that have been ordered.

Article 66.- If the decrease of equity below the legal minimum is not corrected within forty business days from the date of its detection, the board of directors or the SVS will call for an extraordinary shareholders meeting aimed at approving the increase in capital necessary to meet the minimum amount required by the present law. This summons shall be carried out within five business days after the abovementioned time period, and the meeting must take place within the period indicated by Law N° 18,046.

The meeting shall be held with the shares that are present or represented, whatever its number may be, and the agreements shall be adopted by an absolute majority of the shares present or represented with the right to vote.

Article 67.- In the event that in the extraordinary shareholders meeting an increase in capital is agreed upon, this shall be paid within a period of no longer than eighty business days from the date of the agreement and its payment shall be made in cash. If after this period the company's equity has not recovered the legal minimum its authorization to exist shall be revoked, under the terms indicated in article 44.

An equal sanction shall be applied in the event that the meeting is not held or an increase in the capital of a company is not agreed upon and the equity deficit has not been corrected during the period indicated in the first paragraph of the above article.

2. Due to Investment Deficit or Over-Indebtedness

Article 68.- When an insurance company does not comply with one or more rules regarding the maximum debt relationships, or it presents a deficit in investments representative of technical reserves or risk equity, it must present to the SVS, within 2 business days from the discovery of the event, a detailed explanation of the reasons behind this event and, within six business days from the same date, a list of the measures that it has adopted or will adopt in order to correct this problem. The SVS may determine the date for calculating the time period, in conformity with the third paragraph of article 65.

Article 69.- If any of the problems indicated in the previous article continues for more than forty business days from the date of its detection, the company shall present for the knowledge and approval of the SVS before the expiration of the term, an adjustment plan that will allow it to fully comply with the rules broken during a period no greater than 80 business days after its approval. This will be understood as granted if the SVS does not object to the plan within 10 business days following it presentation.

The adjustment plan mentioned in the above paragraph may have to do with the substitution of investments, reinsurance contracts, portfolio transfer and, in general, any measures that will help to provide a solution to the problems that exist.

Article 70.- If after 80 business days from the date of the plan's approval the events indicated in article 68 have not been corrected, the SVS may order the company to comply with one or more measures that will allow it to overcome its current situation, during a period of no more than 20 business days from the date indicated above.

The same authority will be applied if the SVS has rejected, by means of a technically substantiated resolution, the abovementioned plan or if this plan is not presented during the period of time established for this.

The measures that are ordered by the SVS for the purposes of the above paragraphs may have to do with the adjustment of investments, reinsurance contracts, portfolio transfer, suspension of the issuance of policies and others that seek to provide a solution to the problems detected.

Article 71.- At the end of the period of 20 business days established in the previous article, if any of the instances of non-compliance indicated in article 68 continue to exist, the SVS, by a well-founded resolution, may assume the management of the company for a period no longer than 40 business days, with the possibility to be renewed once, during which it will have to take the necessary measures to comply fully with current regulations. To such effect, the Superintendente or his representative shall be given the authority that laws grant to the directors and managers of corporations, in addition to his own, allowing him to dispose of or acquire goods, underwrite or cancel insurance or reinsurance, transfer portfolios and business, summon an extraordinary shareholders meeting to propose the capitalization of the company and, in general, he may take any measure that seeks to provide a solution to the existing problems.

Complaints made against this resolution may be made before the Court of Appeals of Santiago, under the terms, time periods and conditions of article 46 of D.L. N° 3,538 of 1980.

3. Due to a Combination of Equity and Investment Deficit or Over-Indebtedness

Article 72.- If the reduction of a company's equity below the minimum established in article 7 or 16, as is the case, occurs alongside any of the situations indicated in article 68, the time periods and measures contemplated in paragraph 1 shall be applied. However, the SVS may also require compliance with the terms and measures established in paragraph 2, with respect to the situations indicated in it.

Article 73.- If at the end of the regularization process a company has not managed to corrected the situations indicated in article 68, the SVS shall proceed with its revocation under the terms established in article 3, letter d), of the present law.

4. Special Regularization System

Article 73 bis.- In the event that the company presents a deficit in investments representative of technical reserves and risk equity greater than or equal to 10%, or debt 40% greater than the maximum established in article 15, the SVS may, by a well-founded resolution and without applying the time periods indicated in the present Title, adopt one or more measures established in the previous articles or apply the sanctions indicated in article 44.

5. Liquidation

Article 74.- In any liquidation of an insurance company, the liquidator may transfer all or part of the portfolio or business to one or more companies, under the terms of article 27, without needing to notify the policyholders, except in the case of pension fund administrators, regarding insurance referred to by D.L. N° 3,500 of 1980, without prejudice to the obligation to notify these, in the manner determined by the SVS.

At the same time, an agreement may be celebrated with the creditors, in conformity with the provisions considered in Law on the Reorganization and Liquidation of Individual and Companies' Assets, and with the relevant rules issued by the SVS.

Article 75.- The liquidation of an insurance company shall be carried out by the Superintendente or by the person designated in conformity with article 3, letter d), who shall have full authority, attributes and obligations that the law on corporations grants to the directors and managers of a company.

Nevertheless, the Superintendente may authorize a company, when he sees fit, to perform its own liquidation.

The liquidation costs shall be at the expense of the company.

In the liquidation of a second-group company that holds in its portfolio insurance contracts of the pension system created by D.L. N° 3,500 of 1980, the authorization mentioned in the second paragraph of this article shall not be applied as long as there are still obligations derived from these contracts.

6. Reorganization and Liquidation Agreements

Article 76.- In all situations in this Title, with the exception of winding-up proceedings, the company in question may present extrajudicial agreement proposals to all of its creditors, which must have prior authorization from the SVS in order to be carried out.

These proposals may have to do with:

1. the partial or total capitalization of the credits;

2. the extension of deadlines;

3. the transfer of part of the debt, its interests and readjustments, and

4. any legal object aimed at solving the problems of the company.

The agreement must be the same for all creditors.

Article 77.- The SVS must be notified of extrajudicial agreement proposals, and must make changes to them during the 10 business days following their presentation and, once these have been approved or corrections have been made, they must be presented to the creditors along with a copy of an extract from the proposed text via a certified letter sent to the registered residence of the company. Additionally, a copy of an extract from the proposed text must be published in the Official Gazette and an announcement of this

publication printed in one of the nation's periodicals. A copy of the announcement published in the Official Gazette must be made available to all creditors in each of the company's offices, agencies and branches. The publication must be made within 10 business days from the date in which the text has been approved by the SVS and, in any case, at least 5 days before holding the Shareholder's Meeting.

In the communication of the agreement proposals and the corresponding announcement, it should be clearly indicated the place, date and time of the Meeting, which should be held within 20 business days from the date of the announcement's publication.

The company shall make sure that in all of its offices, branches and other places of business there is a list of the policyholders and other creditors who should be informed of the agreement, indicating the amount of the respective credit with its readjustments and interest.

Creditors not included in the list may send a request to the SVS, within 10 business days from publication, asking to be placed on this list, which this organization will provide if it deems necessary.

Creditors whose credits are included on the list and those whose credits are recognized before the voting process shall have the right to vote on the agreement.

The Meeting shall be held before a Notary and under the supervision of the SVS.

The agreement shall be considered approved with the approval of the debtor and the majority of the creditors present, who represent at least sixty percent of total liabilities.

The approved agreement shall be obligatory for all creditors.

The SVS may, by means of a general rule, regulate any aspects related to the formalities of the agreement and its voting process.

Article 78.- The employees of the debtor shall not vote on the extrajudicial agreement, and shall maintain all privileges granted by law for the remunerations lent to them and the indemnity payments they have rights to in conformity with the law, and its credits, if any, shall not be considered in the quorum established in article 77.

Article 79.- If any creditor of an insurance company requests the initiation of winding-up proceedings, the court must inform the Superintendente, who shall investigate the company's solvency. If he finds that the company is able to respond to its obligations, he shall propose measures in order to allow the company to continue to operate; but if he believes that this is not possible, he will issue a notification of this.

If at the moment when the Superintendente is required by the courts, the company finds itself in the stages considered in paragraphs 1 and 2 of this Title, the Superintendente shall notify the courts of this, in which case this shall not give cause for the mandatory liquidation request.

The Superintendente shall give his decision within twenty business days from the date on which it is requested by the courts. During this period no one may initiate executive judicial action against the company for the collection of money or any lawsuit, and all judicial winding-up proceedings shall be suspended.

Article 80.- Once a judicial reorganization agreement has been proposed or the winding-up resolution of an insurance company has been issued, the Superintendente or the person designated shall act as administrator or liquidator, as is the case, with all of the authority granted by the reorganization agreement or, as is the case, Law on the Reorganization and Liquidation of Individual and Companies' Assets, in so far as it is compatible with the statutes of the present law.

Once the winding-up resolution has been issued, the liquidator may summon a meeting of creditors established in Law on the Reorganization and Liquidation of Individual and Companies' Assets, when he

believes it to be necessary, in order to notify them of the state of business of the debtor, of its assets and liabilities, of the winding-up progress and, in general, to propose to the creditors any agreement that he deems necessary in order to best fulfill his function.

For asset realization under the winding-up proceedings, the liquidator shall have the authorities indicated in Law on the Reorganization and Liquidation of Individual and Companies' Assets, without being subject to the asset limits there established.

Article 81.- In all winding-up proceedings of insurance companies, the courts, on the business day following the declaration, shall send a memorandum to the Public Ministry to inform them of winding-up and shall indicate all the information allowing to identify the debtor.

This letter shall be sent directly from the liquidator, who will be obliged, also, to ensure compliance with this rule.

If the technical reserves and risk equity of the company are not constituted in conformity with legal rules and the instructions given by the SVS, or in the cases in which these are duly constituted, the investments representative of these reserves have not been valued in conformity with the rules established by the SVS, as long as a consequence of this event it is determined that, on the date of initiating the winding-up proceedings, it would not have been able to meet the obligations derived from the respective insurance contracts, it shall be considered as an aggravating factor of insolvency offence, according to Title IX of the Second Volume, Paragraph 7, on insolvency offences and deceits, of the Criminal Code. The liquidator shall express this circumstance during the criminal proceedings.

Article 82.- Once the resolution on winding-up of an insurance company has been issued, the liquidator may transfer all or part of the portfolio and business to one or more companies under the terms and conditions indicated in the first paragraph of article 74, and the policyholders will be able to terminate their contracts prematurely, in which case they will have the right to a proportional refund of the current premium.

In the event of the winding-up proceedings of a second-group insurance company whose technical reserves for life annuities insurance subject to D.L. N° 3,500 of 1980 are not sufficiently backed by investments, the SVS may authorize the transfer of this insurance, establishing the payment of contracted pensions during a set period. In the authorization of the portfolio transfer, for the purposes of what is established by article 82 of the abovementioned decree law, the date on which the state guarantee shall go into effect shall be determined.

Article 83.- In the winding-up proceedings or liquidation of a second-group insurance company that, in its portfolio, maintains insurance contracts whose obligations consist of the payment of periodic future loans already recognized or to be recognized, the liquidator of the winding-up proceedings or the liquidator may pay these loans, without needing prior verification, at the expense of the investments that back technical reserves up to a period of 12 months after initiating the liquidation or winding-up proceedings.

Article 84.- In the event that there is not transfer of portfolio or business, under the terms and conditions of article 82, the credit of the insurance contract policyholders shall enjoy the privilege established in No. 5 of article 2472 of the Civil Code.

Even so, the payment of reinsurance shall benefit the policyholders whose claims credits will take preference over any others exercised against the insurer, without prejudice to contribute to the administration costs of the winding-up proceedings or liquidation, as is the case.

Article 85.- Once the resolution on winding-up of a second-group insurance company has been issued, the liquidator shall carry out the liquidation of all those contracts that produce mathematical or claims reserves, in accordance with the rules established by the SVS. With the merit of said liquidation, the liquidator must verify the amount represented by these reserves on the date of the winding-up resolution, in accordance with the procedures indicated in Law on the Reorganization and Liquidation of Individual and

Companies' Assets, assuming for this only purpose the representation of the policyholder, without indication of any recognition. In the event that the policyholder continues to receive the payment of loans in accordance with article 83, these payments shall be made from the respective reserve.

Article 86.- In each of the procedures considered in this Title, the liquidator or administrator must fundamentally look out for the interests of the policyholders, according to the preferences established in article 84.

Article 87.- For any issue not discussed in this section, Law on the Reorganization and Liquidation of Individual and Companies' Assets shall be applied.

Title V

ENDORSABLE MORTGAGE LOAN MANAGEMENT AGENTS

Article 88.- Insurance entities may acquire endorsable mortgage loans, granted by management agents that meet the requirements and conditions set by the SVS, by means of a general rule, and that are listed in the special registry maintained by this organization.

These agents are responsible for granting mortgages on their own behalf or on the behalf of insurance entities, appraising properties, rating the solvency of the debtor and other obligations indicated by the respective general rule. Banks and financial companies may act as agents without needing to be registered.

The minimum requirements that must be met by endorsable mortgage loan management agents in order to register and stay registered in the abovementioned registry are the following:

a) To be legally incorporated in Chile as a corporation, with the specific function of granting and managing endorsable mortgage loans.

b) To accredit minimum capital equivalent to 10,000 U.F.

c) To accredit the underwriting of an insurance policy, in order to respond correctly and fully to obligations derived from their activity, for an amount no less than 20,000 U.F., under the conditions established by the SVS.

d) Their majority shareholders, understood as those that have participation greater than or equal to 10% of total subscribed shares, directors, administrators and legal representatives, must have an impeccable commercial record and not register any of the inabilities indicated in letters a), b) and c) of article 44 bis of the present law.

Article 89.- The SVS shall establish the maximum limits of debt for mortgage loan management agents, which may not be lower than five times, nor greater than 10 times, their equity. These limits of debt shall be fixed for periods no shorter than two years, and their modification must be notified with at least six months of anticipation.

Article 90.- Loans granted to individuals or companies for the acquisition, construction, expansion or repair of any type of real estate property; for the refinancing of endorsable mortgage loans dealt with in this Title; or for the prepayment of mortgage credits granted for the abovementioned purposes, in accordance with Titles VIII and XIII of the General Law of Banks, and granted for the same purposes, in conformity with Law N° 16,807.

Insurance companies may also acquire endorsable mortgage loans, as referred to in article 69 number 7) of the General Law of Banks, and endorsable mortgage loans granted in conformity with Law N° 16,807 or other laws, as long as the investment complies with the purposes, modalities and limitations established by the present Title.

Loans may be granted for up to the value of the appraised property value given in the mortgage guarantee. Nevertheless, in order to back technical reserves and risk equity, as is the case, only mortgage loans whose amount granted does not exceed 80% of the appraisal value indicated shall be considered, except when there is insurance that guarantees the payment of the amount in excess of that percentage and that meet the conditions determined by the SVS.

The loan shall remain guaranteed with the first mortgage, constituted on the real estate given as guarantee, or with a second-degree mortgage, as long as the first mortgage has been constituted to guarantee a perfectly determined obligation and that, when added to the amount granted by the second mortgage, does not exceed the 80% limit indicated.

Article 91.- Endorsable mortgage loans must be extended to the public deed that bears a negotiable clause, of which only one authorized copy will be granted and given to the creditor, and shall be transferable via endorsement at the bottom, in the margin or on the back of the document, indicating the name of the assignee. For the sole purpose of information, the transfer must be noted in the margin of the mortgage registration. The assignor shall only respond for the existence of the credit.

Article 92.- The SVS may authorize the insurance entities, by means of a general rule, to back technical reserves and risk equity with endorsable mortgage loans for purposes apart from those indicated in article 90.

STATUTORY ARTICLES[5]

[5] ***Statutory articles No. 1 to 6 and 8 of the present statutory decree are not included in the text since they are no longer effective. Article 7 was repealed by article 13 of Law N° 6,156, dated January 13, 1938.***