

## Press Release

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**The CMF and the SP report measures after identifying irregularities from social security consultants and sales agents who manage scheduled retirements and life annuities.**

**August 3<sup>rd</sup>, 2018.-** The Financial Market Commission (CMF) and the Superintendence of Pensions (SP) announce that by means of their legal attributions they are conducting a process of investigation and supervision of intermediation and annuity sales, and scheduled retirements carried out by pension agents and sales agents from life insurance companies in the last four years.

The sale and intermediation process are part of the electronic system called SCOMP (Pension Amounts and Offering Consultation System) through which AFP (pension fund administrators) and life insurance companies, which market annuities and pension agents carry out pension offer requests for future pensioners. This system began to operate in 2004 and it is jointly managed by the Trade Association of Pension Fund Administrators, and the Chilean Insurance Association, through the SCOMP corporation.

### **Detected irregularities, corrective and supervision measures**

Through the oversight process, cases of irregular use of Pension Offer Certificates issued by SCOMP were detected- and falsifications made by annuities sales agents and pension agents, in order to speed up the acceptance of offers by the pensioner.

This behavior would breach the regulatory framework, as the law requires the original Offers Certificate for the acceptance of the pension. This requirement has as a purpose that pensioners count on all the information regarding available offers in each case, which are included in the Offers Certificate, and furthermore to have enough time to make a properly advised decision.

In Chile, over the last four years, approximately 197,000 persons have retired through SCOMP. From the carried-out revision date until today, the SP and the CMF are assessing approximately 6,000 cases in which the members, regardless of who handled their pension, accepted an offer in a three-business day deadline starting from the issuance of the Offer Certificate.

From this, it is possible to infer that in a significant amount of cases the pensioner would not have had the original certificates to hand at the moment they closed their pension, considering that these original certificates are usually sent to the affiliate's domicile by certified mail. Analyzing these cases, the supervisors have reviewed almost half of the cases, finding 1,032 irregular certificates.

The investigation carried out to date lead to the conclusion that in the 1,032 irregular cases, the content of the Offer Certificate does not present any difference with the original, regarding bidding entities, number of received offers, their amount, and their sorting.

Considering the gathered information and in order to safeguard affiliate's interests, the SP and the CMF have taken the following measures:

1. SCOMP was directed to introduce immediately additional monitoring and protection to avoid a repetition of this type of situation. This is currently in application.
2. Life insurance companies and AFPs corporations were directed to reinforce the control procedures used to verify that the Offer Certificate of the affiliate, to carry out the acceptance of a pension, is the original.
3. Nine pension agents were suspended, who make up most of the cases intermediated by the agents. Moreover, regulators are overseeing other agents and sales agents.
4. The SP and the CMF issued data requirements for AFPs, life insurance companies, and SCOMP. Meetings have been held with the SP and the CMF, overseen to obtain additional information of the cases described above, and reinforce controls.
5. The CMF met with the Chilean Insurance Association to present its concerns about alleged detected irregularities.
6. The CMF summoned the presidents of the boards and general managers of the involved insurance companies to present its concerns regarding the detected issue, and to get to the measures that will be taken regarding annuity sales agents allegedly involved, in consideration of the responsibility that falls on the annuity insurance companies concerning their sales forces.
7. The SP summoned the general and operation managers from the AFPs to reinforce their control measures and to make a thorough review of the selection of pension forms carried out with allegedly modified Offer Certificates. This, in order to verify the integrity of the data about pension offers set forth therein.
8. The SP also met with the general manager and the Head of Legal Affairs of the AFPs association, displaying the information as described above.
9. Both supervisor institutions summoned the board of directors of SCOMP to express the seriousness of the case and to request changes in the deliverance of the Offer Certificates process, and an improvement plan for the operation of the system.
10. In a coordinated manner, the SP and the CMF are investigating to verify the existence of possible infringements to the current regulations, and to identify the wrongdoers. In

the case of the CMF case, background information was referred to its Investigation Unit. Meanwhile, the SP is investigating through its Intendance of Public and Private Providers Supervision.

11. A denunciation was presented to the Public Ministry based on the collected background information.
12. The CMF and the SP directed the insurance companies and AFPs to reinforce their service channels to receive queries from their members.

### **Regulation improvements**

Over the next weeks, the CMF and the SP will release a regulation proposal aimed at improving and easing the understanding of Offer Certificates of the SCOMP system for persons who are going to retire easier.

They will also propose to the relevant authorities, deeper changes to the system mentioned above, in the context of the debate of the pension reform.