



CMF amends regulation on the Assets Adequacy Test for life annuities

November 04, 2019.- The Financial Market Commission (CMF) amended General Rule No. 209 after the conclusion of a public consultation process. This regulation provides instructions regarding the adequacy analysis of assets supporting annuity obligations in life insurance companies.

The regulatory amendment modifies the form of calculation of the discount rate vector (VTD, for its Spanish acronym) currently used by the Assets Adequacy Test (TSA, for its Spanish acronym) applied by the CMF, in accordance with General Rule No. 209. The aim of this process is to analyze and control the reinvestment risk of life insurance companies. Specifically, the modification widens the calculation window for the zero curve and the spread of the AAA corporate bonds that make up the VTD, increasing from 3 months to 12 months of observations.

The objective of this change is to decrease the volatility of the vector, thus reducing the variance of the TSA requirements for insurance companies. The aim is to enable insurance companies to better manage their assets and the additional technical reserve requirements that may arise from the TSA, as well as promoting adequate financial and capital planning for insurance companies by reducing the variability in the capital requirements they may face.

This change also seeks greater methodological consistency in the CMF's monitoring tools by equating the form of calculation used to obtain the discount rate normatively applied in the TSA with the methodology of the risk-based capital (CBR, for its Spanish acronym) exercises that the CMF has applied to the insurance industry since 2013.

This amendment is part of the agenda of regulatory modifications considered by the CMF to progressively incorporate the CBR standards developed in the seven exercises to date into the regulatory framework.

The [Regulatory Report](#) about this modification is published on the CMF website.

Area of Communications, Education and Image- Financial Market Commission (CMF)

Contact: prensa@cmfchile.cl | [sala.de.prensa@cmfchile](mailto:sala.de.prensa@cmfchile.cl)