



Due to the Covid-19 pandemic

CMF issues regulation that temporarily modifies certain limits and requirements for technical reserve assets and risk equity of insurance companies

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July 30, 2021 – After a public consultation process, the Financial Market Commission (CMF) issued today a regulation that temporarily modifies certain limits and requirements for technical reserve assets and risk equity of insurance companies. These limits are related to fixed-income assets with low-risk ratings, which are regulated by General Rule No. 152 of 2002.

This temporary modification is in accordance with the provisions of Law No. 21,276, which aims to safeguard proper functioning of the financial market and perfects the mechanisms for safeguarding the solvency of insurance companies in the context of the current Covid-19 pandemic. Among these changes is the easing of certain regulatory requirements regarding the risk classifications of fixed-income instruments, both domestic and foreign, that insurance companies may purchase and keep in their investment portfolios.

These easing measures intend to avoid the effects of a forced sale of the companies' assets due to some issuers' ratings being downgraded. Such downgrades may put pressure on the compliance with minimum rating limits and materialize negative effects to the detriment of the companies' solvency and the protection of policyholders.

The new regulation also makes permanent two amendments introduced to General Rule No. 152 to improve the current regulatory framework:

- Eliminate the minimum risk classification that fixed-income investments abroad must meet for them to be representative, therefore standardizing the criteria regarding the treatment of local fixed-income investments.
- Improve the application of abroad investment limits by making an exception in the calculation of such limit for investments pledged as

guarantee by insurance companies to cover hedging derivative contracts whose fair value is negative.

Interested parties can access the [Rules and Norms section](#) of the CMF website to check the details of the new regulation.

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