PRESS RELEASE

CMF analyzed impact of amendments to bill allowing a fourth withdrawal of pension funds and a second advance of life annuity payments

- *The Commission stresses that the bill has potential negative effects on the access of individuals and companies to loans. It also puts the payment of insurance taken out by millions of people in the country at risk.*

- *The cost of the retroactive changes that would be introduced to the first life annuity advance currently underway is preliminarily estimated at up to USD 814 million, equivalent to 19 percent of life insurance companies' assets.*

December 2, 2021 — The Financial Market Commission (CMF) analyzed the potential effect on the financial market and the solvency of life insurance companies (LICs) caused by amendments to the Constitutional Reform Bill establishing a fourth withdrawal of pension funds and a second advance of life annuity payments. According to the Commission's assessment, an eventual approval of this bill could have complex consequences for the financial sector and especially for LICs.

Regarding the financial market, a new pension fund withdrawal could exacerbate the rise of interest rates and restrict the possibilities of individuals and companies to access new loans. This is particularly relevant for mortgage loans, in line with the trends observed in recent months. Meanwhile, the bill which finances the second life annuity advance payment through a tax credit would not fundamentally affect the existing contracts between pensioners and LICs.

However, the eventual change to the procedure used for the first advance payment would have a direct and significant financial impact on LICs, undermining their solvency and, therefore, putting at risk the supply and payment of the millions of insurance policies offered in Chile. The cost of such a change is preliminarily estimated at USD 814 million, equivalent to 19 percent of life insurance companies' assets.

This figure is an update of the ones previously presented by the Commission during the legislative discussion of parliamentary motion No. 14,235-07, which modified the formula to pay the first life annuity advance. Said update is mainly because of a variation in exchange rates.

The Commission reiterates that it has fulfilled its role of implementing the first life annuity advance payment strictly in accordance with the text of Law No. 21,330 approved by Congress.

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