



CMF publishes for consultation a proposal with new additional clause for temporary increase in life annuity pensions

- *The new clause may be voluntarily subscribed for old age or disability pensions and will operate as supplementary coverage within immediate life annuity plans, whether they include programmed withdrawals or not.*
- *This new alternative allows pensioners to receive a larger pension during their first years of retirement, constant and in UF, and then decrease to a life annuity of their choice.*

July 26, 2021 – The Financial Market Commission (CMF) has published for consultation a proposal adding a new additional clause for temporary increases in life annuity pensions. Said clause allows pensioners to receive larger payments during their first years of retirement and can be voluntarily acquired by anyone opting for life annuity pensions, whether they include programmed withdrawals or not.

In an [immediate life annuity](#), pensioners receive a monthly payment (fixed in UF) from a life insurance company which, in the event of their death, is granted to their beneficiaries. Meanwhile, [immediate life annuities with programmed withdrawals](#) split the funds available in the pensioners' AFP account to simultaneously subscribe an immediate life annuity and a programmed withdrawal pension. There is a third option called [temporary income with deferred life annuity](#), in which pensioners subscribe a life annuity payment with a life insurance company starting at a future date. In the meantime, part of the balance of pensioners' individual AFP accounts is reserved to pay a temporary income until the life annuity's payments begin.

Under Article 3 of Decree with Force of Law No. 251, the CMF is responsible for making available to the public all texts of general policy conditions and clauses contracted in the market. In September 2020, the Chilean Association of Insurers submitted a new additional clause for deposit known as “**staggered life annuity with temporary pension increases for immediate or deferred life annuities.**” This proposal was subsequently supplemented in November 2020.

The CMF studied this additional clause and, after consulting with the Superintendence of Pensions, determined that after making the adjustments stated in the Report attached to the publication, it is an alternative that meets both the conditions and characteristics of coverage for approval and deposit with the Commission to be contracted alongside these pension annuities. The main features of the new temporary pension increase clause are as follows:

- Once the life annuity is subscribed, beneficiaries will be paid a fixed amount (P) for life in UF, as offered through SCOMP, plus an amount of P increased by the requested percentage for a fixed amount of time.
- The maximum increase for P is 100 percent. This maximum is the same as that established by Decree Law No. 3,500 for temporary incomes with deferred life annuities.
- Only old age or disability pensioners are eligible for this clause.
- Only immediate life annuities, whether they include programmed withdrawals or not, are eligible for this clause.
- It can only be contracted alongside annuity clauses with guaranteed payment periods.

The additional clause, together with an immediate life annuity, operates similarly to the current temporary income with deferred life annuity scheme, except that in the temporary period the pension is fixed in UF. The latter is preferred by life annuity pensioners, and most of the preferences under this system consider the first temporary income to be double the deferred life annuity.

Now approved and included in the CMF's Repository of Policies, the new additional clause may be subscribed once SCOMP (System for Consultation and Offers of Pension Amounts) is amended for such purposes by means of a joint general regulation of the Superintendency of Pensions and the Financial Market Commission, which is expected to take place this year.

Interested parties can access the [Draft Rules and Norms section](#) of the CMF website until August 17, 2021 to check the details of the regulatory proposal and submit their feedback.

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