



PRESS RELEASE

Before the Chamber of Deputies' Constitutional Committee

CMF Chairman Joaquín Cortez discussed the impact of life annuity advance payments

- *Chairman Cortez stated that advance payments could significantly impact the solvency of insurance companies, eventually affecting their ability to meet their obligations.*
- *Among them are over 600,000 life annuity pensions; 2.5 million life insurance policies; 7 million complementary health coverage policies; and protection of the entire workforce that contributes to the AFP system through the Disability and Survivors Insurance.*

August 18, 2021 – Joaquín Cortez, Chairman of the Financial Market Commission (CMF), spoke today before the Chamber of Deputies' Constitutional Committee about the parliamentary motions for new pension fund withdrawals and life annuity advances. In his [presentation before the committee](#), Chairman Cortez stated that eventual pension advance payments would cause a significant drop in the net worth of life insurance companies, ranging from USD 925 million for a 10-percent advance to USD 26,574 million for a full 100-percent advance under the proposed formula. The second figure amounts to 5.28 times the industry's net worth.

As such, the Chairman of the CMF highlighted the risks that such motions to advance annuity payments mean to the fulfillment of commitments undertaken by insurance companies. These include over 600,000 life annuity pensions; 2.5 million life insurance policies; and 7 million complementary health coverage policies. A second effect, caused by pension fund withdrawals, would impact the Disability and Survivors Insurance, whose coverage is provided by insurance companies and protects the entire workforce contributing to the AFP system.

Decreasing the balances of individually funded accounts influences the weight of additional contributions made by insurance companies based on said insurance's coverage. Such effects can represent up to 17.8 percent of the industry's net worth — from USD 19 million for motions granting a 10-percent withdrawal to USD 850 million for full withdrawals.

Cortez also pointed out that such constitutional amendments might affect legal certainty at a time when lawsuits have already been filed both before local courts

and the International Center for Settlement of Investment Disputes (ICSID) against the Chilean State after the approval of the first life annuity advance payments. These payments could lead to additional premium increases for natural and legal persons, as well as the eventual closure of certain insurance plans. A reduced availability of insurance offers, stated the Chairman, also means fewer options for the population to insure itself against major risks, thereby decreasing its economic resilience.

Concluding his presentation, Chairman Cortez insisted on the effects of massive sales of financial assets triggered by advance payments, resulting in higher financing costs via bonds and a significant impact on economic recovery. It cannot be ruled out, he stated, that larger companies will replace such debts with banking loans, reducing the financing space for their small- and medium-sized counterparts.

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