

## CMF publishes for consultation regulation on parametric insurance

**September 16, 2024** – The Financial Market Commission (CMF) published for consultation today a regulation on parametric insurance that insurance companies can sell. This is pursuant to the Fintech Act, which promotes financial inclusion and competition, and the Commission's own mandate to safeguard the development of the insurance market.

Parametric insurance policies are those in which the company compensates a policyholder after the intensity of an event (parameter) and insured amount based on a model designed with previously defined data. Broadly speaking, parametric insurance features the following:

- Obligation to pay policyholders upon verification of the index value reaching a figure previously defined in the contract.
- Once the event occurs, compensation amounts are determined by index value instead of losses suffered by the policyholder.

Until now, insurance companies could only market indemnity policies, i.e., that paid amounts derived from materialized losses. Thanks to the Fintech Act and the issuance of this regulation, companies can now sell parametric insurance. Should the risk or damaging event referred to in the contract occur, compensation shall be paid without the insured party having to justify the existence or amount of the damage, even when such damage does not materialize.

The regulation aims to establish criteria to which parametric insurance policies sold by companies will be subject. It includes factors such as variables that may be used as indices; risks insurable under this type of policy; and features of policies to be deposited in compliance with Article 11 of the Insurance Act. For example, parametric earthquake insurance could insure a predetermined geographic area and trigger payments after verifying an event in the zone exceeds a certain magnitude in the Richter or Mercalli scales.

Interested parties can access the [Draft Rules and Norms section](#) of the CMF website until November 4, 2024 to check the regulatory proposal and submit

their feedback. The Commission also makes available the corresponding [Regulatory Report](#) with its key elements.

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