Press Release

CMF issues regulation on parametric insurance

Under parametric policies, insurers pay the compensation agreed upon after meeting a specific index threshold, without requiring the insured party to prove the occurrence or amount of loss.

For example, a parametric earthquake policy might cover a defined geographic area and pay compensation when seismic activity in said area exceeds a predetermined magnitude on the Richter or Mercalli scales, even if no damage is incurred.

August 25, 2025 – The Financial Market Commission (CMF) issued today a regulation on parametric insurance policies that insurance companies may offer. This is pursuant to the Fintech Act, which promotes competition and financial inclusion, and the Commission's own mandate to promote market development.

This regulation considers feedback received during the first public consultation carried out between September 16 and November 4, 2024, and the second public consultation conducted between June 24 and July 25, 2025.

Parametric insurance policies mandate insurers to pay the compensation agreed upon after meeting a specific index threshold, without requiring the insured party to prove the occurrence or amount of loss or even if no damage occurs at all. The regulation aims to establish criteria for parametric policies offered by insurance companies, including variables that qualify as indices; risks insurable by these policies; and characteristics of deposited policies, among others. This fulfills the provisions of Article 11 of the Insurance Act.

For example, a parametric earthquake policy might cover a defined geographic area and pay compensation when seismic activity in said area exceeds a predetermined magnitude on the Richter or Mercalli scales. Likewise, a parametric farming policy might cover drought or frost, and if such situations occur the parameter included in the policy activates to generate a compensation payment even if no damage occurs.

Technical Reserves

The CMF also issued an amendment to General Rule No. 306 on technical reserves for non-pension insurance under Decree Law No. 3,500 of 1980. It modifies the treatment of technical reserves for earthquake-specific parametric contracts, ensuring these reserves reflect said contracts' automatic index triggers, fixed insured sums, and binary payout structure. It also introduces specific methodologies to calculate the Earthquake Catastrophe Reserve and the Unearned Risk Reserve.

These amendments consider feedback received from the public consultation conducted between June 24 and July 25, 2025.

Interested parties can check the **Regulations section** of the CMF website to review the new regulation in detail. The Commission also makes available the corresponding **Regulatory Report** with its core elements and impact assessment.

Communication & Image Area — Financial Market Commission (CMF)

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