



## **CMF publishes for consultation a regulation to implement the IFRS 17 accounting standard in the Chilean insurance market**

- *The regulation intends to establish principles and technical aspects to be considered by companies when setting up their insurance liabilities.*

**January 12, 2021** – The Financial Market Commission (CMF) has published for consultation a regulation a rule providing instructions on the implementation of the IFRS 17 accounting standard in the Chilean insurance market. Said standard applies to the constitution of technical reserves.

The aim of this regulation is to modernize the rules on technical reserves, aligning them with the best international practices and principles in this field. These practices and principles are used in insurance markets that serve as a reference for Chile, favoring in turn a better risk management. Furthermore, the implementation of IFRS 17 is expected to improve the transparency of information reported by insurance companies in their financial statements.

This considers, among other factors, that technical liabilities on insurance companies' balance sheets are measured at economic value, ensuring that companies provide relevant information to represent their insurance contracts reliably. Said reliability is based on establishing principles for the recognition, measurement, presentation and disclosure of such contracts.

The proposal considers both the experience of other jurisdictions that serve as a reference for Chile, and international recommendations regarding the constitution of technical reserves. Its main elements are as follows:

- Apply IFRS 17 to the Chilean insurance market and replace the current standard, which is mainly based on IFRS 4.
- Establish the main principles and models provided by IFRS 17, in addition to specific instructions that companies must follow to measure their technical liabilities.
- Establish special considerations applicable to the national market, specifically for Life Annuities, Disability and Survival Insurance, and the Earthquake Catastrophe Reserve. Due to their nature and importance,

such products require a greater prescriptive regulation regarding the parameters applied in the calculation of such reserves under IFRS 17.

- A public consultation requiring a statement from the insurance industry on some specific aspects highlighted by the CMF as relevant.

The CMF will be sending a notice to the insurance companies, which includes instructions to carry out the second impact assessment related to the implementation of IFRS 17 and its related regulations.

The public consultation process will be open until May 12, 2021. Interested parties can access the [Draft Rules and Norms section](#) of the CMF website to check the details of the regulatory proposal and submit their feedback.

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