



CMF issues regulation on taking out of insurance related to mortgage loans

- *The new regulation implements the amendments made by Law No. 21,314 on Market Agents and incorporates a series of improvements to bidding processes.*
- *It also aims to open these tenders to more bidders, increasing competition and benefiting mortgage loan customers with better pricing conditions for such insurance.*

April 8, 2022 — After a public consultation process, the Financial Market Commission (CMF) issued today [a regulation on individual and collective taking out of insurance related to mortgage loans](#), which is established in Article 40 of Decree with Force of Law No. 251.

Insurance related to mortgage loans is taken out by lenders collectively on behalf of their clients to protect their collateral (in case of fires, earthquakes, tsunamis, other natural hazards, etc.) or the source paying the loans (credit loss or disability). Such insurance can also be purchased directly by debtors through individual policies.

Under Article 40 of the Law on Insurance, regulations issued by the CMF must establish minimum conditions to be included in bidding processes and information to be provided to bidders, insured debtors, and the Commission itself. The main amendments are as follows:

- Bidding conditions cannot require the participation of an insurance broker. Should the bid include one, the lender cannot replace it.
- Brokers advising lenders in the bidding process are banned from participating in the bids.
- Lenders must collect insurance premiums alongside dividends and transfer them to insurance companies at no cost to the latter.
- Regulates grouping of smaller portfolios to carry out a joint bidding process.
- Improves quantity and quality of information for better risk estimation and pricing.
- Strengthens rights of insurance companies to underwrite risks and settle claims.

- Improves accessibility for individual debtors to take out credit loss insurance.

This new regulation aims to open these tenders to more bidders, increasing competition and benefiting mortgage loan customers with better pricing conditions for such insurance.

The regulatory proposal was subject to public consultation twice, which meant a wide variety of Feedback submitted to the Commission, duly analyzed, and incorporated into the final text (where appropriate).

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