

Press RELEASE



Chile Day 2018

Joaquín Cortez, Chairman of the CMF, highlights announcement about a draft law of risk-based supervision for the insurer industry.

September 7th, 2018. - Joaquín Cortez, President of the Commission for the Financial Market (CMF for its initials in Spanish), validated the announcement made today by Felipe Larraín, Minister of Finance, as part of the ChileDay 2018 event related to the following presentation of **indications for the draft "Law of Risk-Based Supervision" for insurance corporations**, which is currently being processed by the Senate.

In his presentation named "[*Chilean Securities and Insurance Landscape and Regulatory Roadmap*](#)", President Cortez highlighted the significance of this draft law, to promote correct risk management in the insurance industry, and to contribute to the strengthening of our financial system.

In that regard, he highlighted that this initiative will grant the power to decide the capital requirements for insurance corporations, based on the risks involved, to the Council of the CMF. A risk-based supervision system on the grounds of a risk evaluation of the corporations, and classification depending on its solvency are introduced; investment limits are eased, stating in the law just some structural limits; additional preventive supervision instruments, and early regularization are introduced.

This initiative has been qualified as a priority by the Council of the CMF, so the Commission is collaborating actively regarding the proposal of the technical framework which will allow to adopt the recommendations and international standards by the domestic industry (OECD; IAIS; FSB), and to count on the experience of controllers from Canada, Australia and the European Economic Community.



Regarding this, President Cortez, pointed out that at present the insurance industry faces several risks, such as operational, longevity, and investments. Because of the foregoing, "Risk-Based Supervision means on the one hand giving more freedom to the insurance corporations, but on the other hand demanding greater solvency levels as long as they incur in greater risks. This means a challenge for them, due to the fact that they

have more freedom, and that they have to use it well. For us, as a regulator, the challenge is to be able to be one step ahead of any problem which could arise in the future", Cortez pointed out.

The Chairman of the CMF also appreciated the announcement made by the Ministry of Finance regarding the dispatch of a Cybersecurity draft law. In that regard, he pointed out that this subject "is the greatest concern of every regulator in the world, and we have been busy for a while coordinating with the rest of the supervisors and the Ministry of Finance trying to understand the problem, and see how we can face it. A law is very important because it gives greater instruments to the regulators to be one step ahead of these possible problems".

The activities of the Chairman of the CMF continue with a meeting with Charles Randell, President of the Financial Conduct Authority (FCA) from the United Kingdom, with whom he will address subjects related to financial regulation and the supervision of both markets.