

27. **Limit of indebtedness:** The maximum limit of indebtedness can not be higher than 5 times the net equity of the insurance companies and 15 times that of the reinsurance companies. Should there be a situation of overindebtedness, it is necessary to proceed to immediately regularize the company in the manner prescribed by the law.
28. **Technical Reserves:** According to procedures, tables, rates of interest and other aspects set by the Superintendency, life insurance companies must set up the following reserves:
- (i) **On-going Risk Reserve:** to meet liabilities of a company derived from the premiums of short-term insurance contracts (less than or equal to one year),
 - (ii) **Mathematical reserve:** to meet liabilities of an insurance company with its insurees for premiums of long-term contracts (more than one year), and
 - (iii) **Additional reserve** to that of on-going risk: to meet liabilities for risks, the occurrence of which is not well known, highly fluctuating or cyclical and which must be provided for to ensure the normal operation of the activity.
29. **Investment Standards:** The technical reserves and the necessary assets to maintain the debt ratios as defined in the law must be backed up by, among others, (i) certificates issued by the State or the Central Bank, (ii) time deposits or certificates representing funds bought or letters of credit issued by banks and financial institutions, (iii) bonds, promissory notes and debentures issued by public or private corporations, (iv) investments in real estate corporations shares, securities and risk capital, with a first class rating, and (v) shares in listed public corporations, with a first class rating and with a presence of 10% or more of their stock in the Stock exchange. Insurance Companies are not allowed by law to invest in shares of AFPs, mutual funds, private health insurance institutions, insurance companies, or in those companies whose purpose is to render benefits of a social nature to their shareholders, in urban non-residential real estate located in Chile.
30. The law clearly specifies limits of investment per issuer and by type of instrument.
31. **Tariffs, Premiums and Commissions:** The premiums and commissions will be set or agreed upon freely between the insurers and the insurees, expressly stating this fact in the corresponding policy.
32. **Risk Rating:** Insurance companies must hire the services of at least two different and independent risk rating institutions --registered with the Superintendency of Securities and Insurance Companies-- so that they in a continued manner rate the liabilities they have with their insurees. The categories are: A, for low risk companies, D, for those of a higher risk and E if they are lacking in information enough to rate them.

III.1.B OTHER REQUIREMENTS

33. To do business in the insurance and reinsurance activity it is necessary to have the