

UNEMPLOYMENT INSURANCE IN CHILE

SUPERINTENDENCE OF PENSIONS



SUPERINTENDENCE OF PENSIONS

Telephone: 56 (2) 753-0100

Fax: 56 (2) 753-0257

Address: Casilla 3955. Santiago – Chile

Website: www.spensiones.cl

Intellectual Property Registry

Registry No. 195207 (2010)

Santiago, Chile

All Rights Reserved

September 2010

Design and Printing by *Gráfica LOM*

The contents of this publication may be reproduced and used for quotes and comments, provided that the source is mentioned.

UNEMPLOYMENT INSURANCE IN CHILE

Editor

SOLANGE BERSTEIN JÁUREGUI
SUPERINTENDENT OF PENSIONS

This publication was written by the following
professionals of the Studies Division:

Evelyn Benven A.
Pamela Gana C.
Susana Ojeda A.
Isabel Poblete H.
Dagoberto Valenzuela C.

Prologue

Unemployment Insurance is a very important instrument in the field of social protection in Chile. It was created in 2002,¹ with the mandatory inclusion of all workers who had initiated a work relationship in the private sector from October 2002 on, and the voluntary inclusion of all workers with work contracts subscribed prior to that date.

Its specific design and features make the Chilean Unemployment Insurance a unique system, with an individual savings component and an insurance component. The individual savings component provides a monetary allowance for private sector workers during periods of unemployment, and is complemented by a component of the system called the “Solidarity Unemployment Fund.” This fund includes contributions by both the State and employers, and may be used only when a worker with an open-ended contract is fired due to “company needs” or “*force majeure*,” and in the case of fixed-term workers or workers hired for specific works and services, after their contracts have expired.

In effect, the main role of the Solidarity Unemployment Fund is to act as an insurance policy, since access to individual account funds is equivalent to a mandatory savings scheme activated in the event of unemployment, and not an insurance policy *per se*. Thus, regardless of the type of contract or the cause of termination of their work relationships, workers are entitled to benefits that are discounted from their Individual Unemployment Account, as long as they have made a certain number of payments—twelve in the case of open-ended contracts and six in the case of fixed-term or specific works/services contracts. These benefits consist of monthly payments, with replacement rates (the

¹ Law 19,728, of April 19, 2001.

monthly allowance as a percentage of the worker's wage) that begin at 50% and are reduced to 20% from the seventh payment on. This provides an incentive for re-entry into the labor market, while also retaining a portion of the savings in the fund in case of future periods of unemployment. The total number of payments depends on the amount of funds saved by the worker.

The fact that Chilean Unemployment Insurance was designed with an insurance component may potentially lead to opportunistic behavior. However, the model includes a series of elements that –according to an abundance of literature on this subject– reduce the chances of inappropriate use of this insurance, which would have a negative affect on employment and increase the cost of these benefits for the total population.² One such element is the fact that Solidarity Unemployment Fund benefits are moderate, with an initial replacement rate of 50% that is reduced to 30% of wages by the fifth payment. It also establishes minimum and maximum limits on monetary allowances, which in practice leads to higher replacement rates for lower-income workers and lower rates for higher-income workers, thus generating a solidarity subsidy within the system. This limits the benefit to a maximum of five payments, except if the country's unemployment rate is above its trend, in which case there may be two additional payments with replacement rates of 25% each.

In addition, benefits are financed primarily through the individual savings of workers, which creates an incentive to use this insurance responsibly, since the resources of each member are directly affected. Also, the Solidarity Unemployment Fund (*Fondo de Cesantía Solidario*, or FCS) may only be used twice within a five-year period, which also favors its use only in cases where it is truly needed.

Although workers with fixed-term or specific works/services contracts may use the benefits of the Solidarity Unemployment Fund, they do so with lesser contributions to this fund and lower benefits. This also intends to safeguard the sustainability of the system and prevent misuse. It is important to mention that, in this case, although there is uncertainty for the unemployed worker regarding a potential contract extension or the prospect of finding a new job, the termination of the work relationship is certain, unlike the case of workers with open-ended contracts.

Finally, Solidarity Unemployment Fund beneficiaries must approach the Municipal Office of Labor Mediation (*Oficina Municipal de Intermediación Laboral*, or OMIL) each month to certify that they are still unemployed and

² See Milan Vodopivec (2004).

actively searching for a job. This represents an additional safeguard against inappropriate use of this insurance by individuals who are not unemployed or not actively seeking employment.

October 2010 marks the 8-year anniversary of the implementation of the Chilean Unemployment Insurance. During this time, almost 4.5 million unemployment benefits have been paid, with 78.6% of private sector workers over the age of 18 currently covered and more than 6.1 million members.

With changes that have expanded benefits –particularly the inclusion of workers with fixed-term or specific works/services contracts in the Solidarity Fund– Unemployment Insurance has gradually increased its coverage. It has also been useful for protecting workers during particularly difficult periods, through specific modifications in the event of financial emergency situations (such as the 2008 economic crisis) and natural disasters (such as the 2010 earthquake). These changes to the system’s design have been implemented with special care to safeguard its sustainability and its contribution to social protection, without reducing the incentives for an active job search. Overall, since this is a new experience, its implementation must continue to be monitored and assessed, advancing towards a better and more sustainable protection.

This book by the Superintendency of Pensions seeks to contribute by providing the public with information on this Insurance. This not only allows for a better comprehension of the system by the general population, but also documents its current features and outlines its evolution and future challenges, thus contributing to its evaluation and generating new ideas for future improvements.

Solange Berstein Jáuregui
Superintendent of Pensions

Index

CHAPTER I

DESCRIPTION OF UNEMPLOYMENT INSURANCE	11
1.1 COVERAGE	12
1.2 FINANCING.....	12
1.3 MONETARY BENEFITS.....	14
1.3.1 Access to the Individual Unemployment Account.....	14
1.3.1.1 Requirements for Access to the Individual Unemployment Account	14
1.3.1.2 Level of Benefits of the Individual Unemployment Account.....	15
1.3.2 Access to the Solidarity Unemployment Fund	15
1.3.2.1 Requirements for Access to the Solidarity Unemployment Fund	16
1.3.2.2 Level of Benefits of the Solidarity Unemployment Fund.....	16
1.4 OTHER BENEFITS	18
1.5 SUPPORT FOR WORK RE-ENTRY	20
1.6 MANAGEMENT	21
1.7 USER COMMITTEE	21
1.8 DELINQUENCY.....	22
1.9 UNEMPLOYMENT FUND INVESTMENTS	25
1.9.1 Reference Portfolios and Distribution of Yield	26
1.9.2 Eligible Instruments and Requirements for Unemployment Funds	28
1.9.3 Risk Rating.....	29
1.9.4 Investment Limits.....	30

CHAPTER II

CHARACTERISTICS OF THE UNEMPLOYMENT FUND ADMINISTRATOR	35
2.1 GENERAL CHARACTERISTICS.....	35
2.1.1 Market Description	35
2.1.2 Legal Aspects.....	37
2.1.3 Main Activities of the Administrator	39
2.1.4 Rules for Managing Unemployment Individual Accounts and Solidarity Unemployment Fund	41
2.1.5 Rules for Managing Unemployment Funds	42
2.1.6 Member Services	46
2.1.7 Coverage Required.....	48
2.2 FINANCIAL INFORMATION ON THE ADMINISTRATOR.....	50
2.2.1 Balance.....	50

2.2.2 Results	51
2.2.3 Main Financial Indexes.....	54

CHAPTER III

MAIN RESULTS	57
---------------------------	-----------

3.1 SYSTEM COVERAGE	57
3.2 SYSTEM BENEFITS	71
3.2.1 Number of Beneficiaries	71
3.2.2 Quality of Benefits Granted	77
3.3 NET WORTH OF UNEMPLOYMENT FUNDS	80
3.4 SOCIAL SECURITY DEBT IN UNEMPLOYMENT INSURANCE	83
3.5 YIELD OF UNEMPLOYMENT FUNDS.....	86

CHAPTER IV

UNEMPLOYMENT INSURANCE PROJECTIONS	91
---	-----------

4.1 SUSTAINABILITY OF THE SOLIDARITY UNEMPLOYMENT FUND	92
4.2 SYSTEM COVERAGE	93
4.3 QUALITY OF BENEFITS	94

CHAPTER V

FUTURE CHALLENGES	97
--------------------------------	-----------

MONITORING THE MAY 2009 REFORM	97
INTERACTION OF UNEMPLOYMENT INSURANCE WIT OTHER FORMS OF UNEMPLOYMENT PROTECTION	98
COMPLEMENTARY BENEFITS.....	99
PERMANENT DISSEMINATION AND INFORMATION OF THE SYSTEM	100
TENDERING OF MANAGEMENT SINCE 2012	100
RISK-BASED SUPERVISION	101

STATISTICAL ANNEX	103
--------------------------------	------------

BIBLIOGRAPHY	123
---------------------------	------------

GLOSSARY	125
-----------------------	------------

Chapter I

Description of Unemployment Insurance

The creation of Unemployment Insurance is one of the most important advances in recent times in the protection of workers' income in the event of unemployment. Since its implementation in October 2002, 6 million workers have joined the system, more than 3 million have made monthly contributions, and more than 4 million benefits have been granted.

The Chilean Unemployment Insurance was a pioneering design, incorporating mandatory individual savings and a solidarity social security scheme. The savings component features an Individual Unemployment Account financed with contributions by each worker and his/her employer, in the case of workers with open-ended contracts, and by the employer in the case of workers with fixed-term or specific works/services contracts. The solidarity component, accessible through the Solidarity Unemployment Fund, is co-financed by employers and the State.

The contributions destined to an Individual Unemployment Account belong to each worker affiliated to the System. Both these resources and those accumulated in the Solidarity Unemployment Fund are managed by an Unemployment Fund Administrator, which is selected for this purpose through a public tender.

In the years since the Unemployment Insurance was established, its management has been regulated and supervised by the Superintendence of Pensions. This institution has issued general regulations that have efficiently guided its development, and has also proposed several improvements to the system. In May 2009, after seven years of operation, Unemployment Insurance was modified in order to better respond to the dynamics of the Chilean labor

market, as well as to improve the protection it provides for unemployed workers.³

1.1 Coverage

The target group considered in Unemployment Insurance consists of employed workers over the age of 18 under the Labor Code.

The following groups are excluded from Unemployment Insurance: workers with training contracts, workers under the age of 18, domestic workers,⁴ pensioners, self-employed or own-account workers, and public sector employees.

Membership in the Unemployment Insurance System is mandatory for all workers hired or signing new contracts on October 2, 2002 or later. Workers with work relationships established prior to this date may join the System on a voluntary basis.

1.2 Financing

Unemployment Insurance establishes different financing modes according to the type of contract held by each worker.

In the case of workers with open-ended contracts, contributions to the Unemployment Insurance System are 0.6% and 1.6% of taxable income charged to the worker and employer, respectively. In addition, employers must contribute 0.8% of the covered earnings of workers to the Solidarity Unemployment Fund.

Meanwhile, in the case of workers with fixed-term or specific works/services contracts, the total contribution to the System is charged to the employer, and is also equal to 3% of the worker's covered earning, with 0.2% of this contribution destined to the Solidarity Unemployment Fund.⁵

³ Law No. 19,728, which has regulated unemployment insurance since October 2002, was modified in May 2009 by Law No. 20,328.

⁴ Domestic workers have a specific income protection system for periods of unemployment: each month their employers must deposit 4.11% of the worker's taxable wage into an account specifically designed for this purpose, which is managed by a Pension Fund Administrator. The funds accumulated in this account may be withdrawn by the worker when the work relationship is terminated.

⁵ It is important to mention that before May 1, 2009, workers with fixed-term or specified works and services contracts were not eligible for the FCS (Solidarity Unemployment Fund).

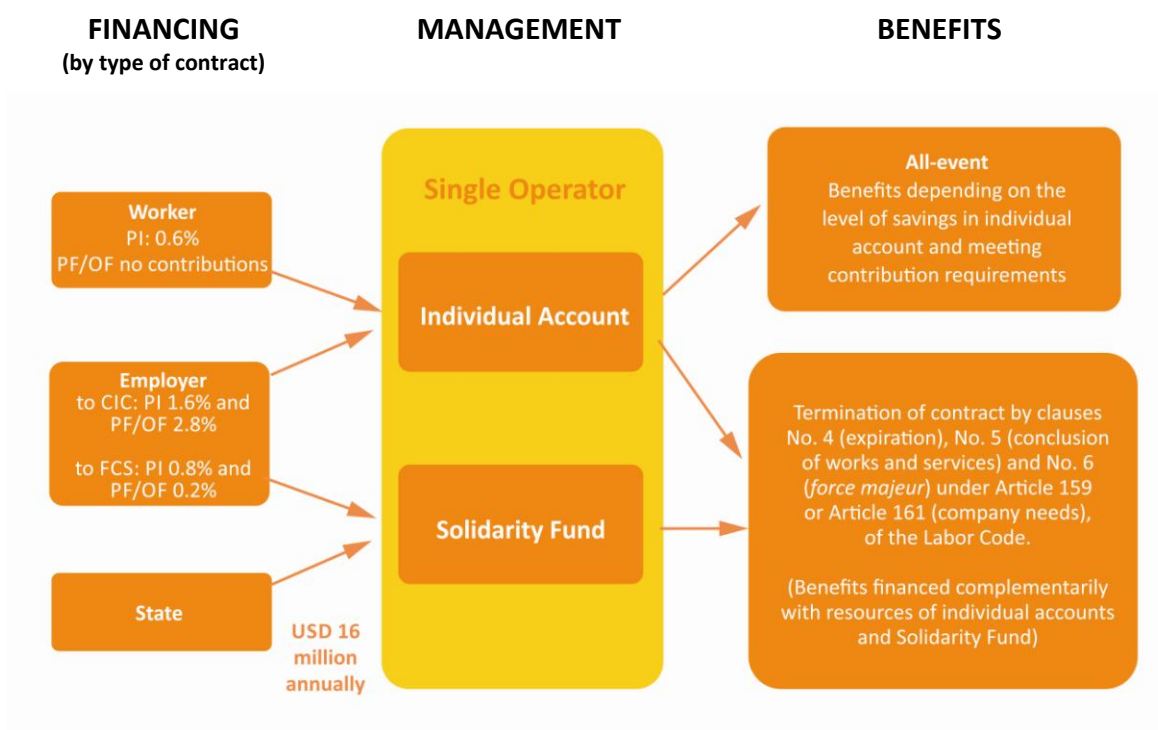
Regardless of the type of contract, the covered earning has a maximum monthly limit of 97.1 UF (*Unidades de Fomento*).⁶

Besides the sources of financing from workers and their employers, the State makes an annual contribution of 225,792 UTM (*Unidades Tributarias Mensuales*) to the Solidarity Unemployment Fund, which is equivalent to CLP 8.30 billion (considering the UTM value as of June 2009).

The employer's contribution to the worker's individual account, plus the yield of this account minus all applicable fees, may be deducted from the amount due to workers with open-ended contracts as a severance payment for years of service, if the work relationship was terminated in accordance with Article 161 of the Labor Code (company needs). In effect, this means that every year employers deposit around 20% of the severance payments they must guarantee for workers upon termination of their contracts into their Individual Unemployment Accounts. Therefore, it is understood that the obligation of workers and employers to contribute to Individual Unemployment Accounts expires after 11 years of a work relationship with the same employer (maximum period of severance payments per year of service). However, employers are still obliged to contribute to the Solidarity Unemployment Fund until the end of the work relationship.

⁶ 2010 value.

Figure I.1
Financing of Unemployment Insurance



Source: Superintendence of Pensions

1.3 Monetary Benefits

As with the financing of the System, the type of work contract establishes differences between workers in terms of both requirements for access and the amount of benefits received.

1.3.1 Access to the Individual Unemployment Account

1.3.1.1 Requirements for Access to the Individual Unemployment Account

Workers with open-ended contracts that terminate a work relationship are entitled to the benefits financed through the Individual Unemployment Account, as long as they can accredit 12 continuous or intermittent monthly contributions.

Workers with fixed-term or specific works/services contracts are entitled to the benefits financed through the Individual Unemployment Account when, upon

termination of a work relationship, they can accredit 6 continuous or intermittent monthly contributions.

It should be noted that access to the Individual Unemployment Account must be ensured regardless of the cause of termination of a work relationship; in this sense, it is considered an all-event benefit.

1.3.1.2 Level of Benefits of the Individual Unemployment Account

The number of deposits/months of payment received by workers who are entitled to Unemployment Insurance benefits charged exclusively to their Individual Accounts is determined by the number of months that the resources accumulated in these accounts are capable of financing, granting benefits with decreasing monthly replacement rates of 50%, 45%, 40%, 35%, 30%, 25% and 20%, which may be no less than the minimum amounts established for the Solidarity Fund. This form of payment is granted regardless of the type of contract held by the worker claiming the benefit.

In order to better understand the formula for calculating benefits, the following example may be used. Let us suppose a worker has a taxable income of CLP 300,000, and has contributed over a period of 4 years, accumulating around CLP 316,000 in his/her Individual Unemployment Account. The benefits exclusively financed by the Individual Unemployment Account would be: CLP 150,000 during the first month of the benefit (replacement rate of 50%), CLP 135,000 during the second month of the benefit (replacement rate of 45%), and CLP 31,800 during the third month of the benefit, with this last month of benefit equivalent to the remaining balance of the Individual Unemployment Account.

It should be noted that the System includes a mechanism to ensure income for workers during the month in which they find a job; thus, if a worker is hired before finalizing all payments, he/she has the right to receive payment for the month during which the new job was found.

1.3.2 Access to the Solidarity Unemployment Fund

Unemployment Insurance was designed to consider the creation of a Solidarity Unemployment Fund that helps finance monetary benefits for workers who meet the conditions for access described below, but lack the resources to finance a certain level of benefits established by law.

The requirements for access are the same for all workers, regardless of the type of contract held by those claiming the benefit. Monetary benefits, on the other hand, are established differently depending on the type of contract.

1.3.2.1 Requirements for Access to the Solidarity Unemployment Fund

In order to be granted financial benefits through the Solidarity Unemployment Fund, all workers, regardless of what type of contract they possess, must meet the following requirements: (i) being able to accredit 12 continuous or intermittent monthly contributions to the Solidarity Unemployment Fund over the last 24 months, with the last three being continuous and under the same employer,⁷ (ii) that the work relationship was not terminated due to the causes set forth in the Labor Code, in terms of worker resignation, causes attributable to the worker, or mutual agreement of both parties; (iii) having accumulated in the Individual Unemployment Account resources that are insufficient to finance a benefit equivalent to the Solidarity Unemployment Fund, with its legally established amounts, replacement rates and periods; and (iv) being unemployed at the time of the claim and maintaining this status while benefits are received.

Access to the Solidarity Unemployment Fund is an option for workers who meet the aforementioned requirements, and may be rejected, in which case the benefit shall be financed exclusively through his/her Individual Unemployment Account (as established in the previous section).

It is important to mention that, in order to avoid opportunistic behavior and to encourage a rational use of benefits, access to the Solidarity Unemployment Fund is limited to 2 uses over a 5-year period. For this reason, when the worker expects to find a job within a short period of time, it may not be convenient to choose to use the Solidarity Unemployment Fund, since he/she would lose the right to use it during a future period of unemployment which may be longer.

1.3.2.2 Level of Benefits of the Solidarity Unemployment Fund

If a worker chooses to use the benefits of the Solidarity Unemployment Fund, the amount of the monthly payment is established as a replacement rate in relation to the average wage over the last 12 months contributed by the worker, with the minimum and maximum limits of the benefit established by law. The

⁷ It is important to mention that this requirement was made more flexible following the approval of Law No. 20,328, which modified Law No. 19,728. Before May 1, 2009, 12 continuous contributions to the FCS were required, which, given the current labor rotation, was a very difficult requirement to meet, even for workers with open-ended contracts.

following table shows the replacement rates and minimum and maximum amounts that may be received.⁸

Table I.1
Minimum and maximum values for Unemployment Solidarity Fund payments

Months	% of average wage over last 12 months	Highest Amount	Lowest Amount
First	50%	CLP 198,691	CLP 92,025
Second	45%	CLP 178,822	CLP 76,339
Third	40%	CLP 158,953	CLP 66,928
Fourth	35%	CLP 139,084	CLP 58,562
Fifth	30%	CLP 119,215	CLP 50,196

Source: Superintendence of Pensions. Figures valid from February 1, 2010 to January 31, 2011.

The minimum and maximum values are readjusted annually according to the variation in the Consumer Price Index plus the Index of Real Wages over the last 12 months. These values are readjusted on February 1 of each year.

For example, the table above is used as follows: for a worker who meets the requirements and chooses to use the Solidarity Unemployment Fund, and who has a taxable monthly wage of CLP 160,000, the following benefits would apply. The worker would receive CLP 80,000 during first month of the benefit (replacement rate of 50%), but since this amount is under the minimum value established in the table, this worker would be entitled to a benefit equal to the minimum values; in other words, the worker would receive CLP 92,025. The worker would receive CLP 76,339 during the second month of the benefit, and so on for the remaining months.

Similarly, if a worker has a taxable monthly wage of CLP 400,000, the benefit shall be adjusted to the maximum values described above.

Unemployment Insurance benefits are suspended if the worker declines a training scholarship or a job offer from his/her Municipal Office of Labor Mediation (OMIL) without justification. In the case of the job offer, a declination shall be considered justifiable if the wage offered is less than 50% of the last monthly wage earned.

⁸ It must be observed that, in May 2009, a modification to the Insurance Law established an extraordinary readjustment to these values, which varies between 14% and 35%, representing an important increase in benefits for middle-income groups.

Since the Solidarity Unemployment Fund benefit is only maintained if a worker remains unemployed, beneficiaries must visit the OMIL closest to their address each month in order to accredit their unemployment status and thus be available for training courses or job offers. Meanwhile, when the Unemployment Fund Administrator pays out a benefit, it must first certify that the worker remains unemployed by verifying that no contributions have been made to the System.

As may be deduced from the above, Unemployment Insurance benefits are incompatible with any other type of paid activity.

Unemployment Insurance was also designed to consider two additional months of benefits whenever it is very difficult to find work; this situation is defined as an increase in the unemployment rate above its trend.

Thus, each time the observed unemployment rate is more than 1 percentage point higher than the average rate over the last four years, beneficiaries of the Solidarity Unemployment Fund that are receiving their last monthly payment shall be entitled to two additional months of payment. The benefit for these two additional months is has a replacement rate of 25% for each payment, regardless of the type of contract held by the worker. The minimum limit for these monthly benefits is CLP 41,830 and the maximum limit is CLP 99,346.⁹ These values are readjusted in the same way as established for the other minimum and maximum limits.¹⁰

1.4 Other Benefits

All workers entitled to the monetary benefits of Unemployment Insurance are also entitled to health coverage for the member and his/her family within the public health network (FONASA), under the institutional free-choice mode.

All workers who had access to the Solidarity Unemployment Fund were entitled to family allowance benefits while they worked, and belong to the first two groups of lowest income (that is, a monthly covered earning of CLP 293,624 or less), shall continue receiving this allowance for the entire period during which they receive monetary insurance benefits.

⁹ Values as of February 2010.

¹⁰ The additional payments described here are a new benefit established by Law 20,328, which entered into effect on May 1, 2009.

In addition, all Unemployment Insurance beneficiaries may be subject to training and labor mediation offered by the corresponding OMIL.

1.5 Support for Work Re-entry

The monetary benefits provided by Unemployment Insurance are complemented with support in the search for a new job. These actions seek to accelerate work re-entry, thus shortening the periods of unemployment for workers during their active lives. For this purpose, a computer system called the National Employment Registry has been developed to facilitate the task of municipal labor mediation, bringing greater efficiency to the process of matching job supply and demand. It also helps channel the training supply provided by the National Training and Employment Service (SENCE) through the Municipal Offices of Labor Mediation (OMILs).

This same tool helps establish ties between Unemployment Insurance and the Municipalities (and their OMILs), in order to fulfill the obligation assigned to them in terms of certifying that those who use the Solidarity Unemployment Fund comply with all legal requirements.

During 2010, management of the National Employment Registry is expected to be handed over to a private administrator, improving its use and access in order to facilitate a better and faster match between the labor needs of workers and businesses.¹¹

Support for work re-entry also includes training for Unemployment Insurance beneficiaries. This training has two financing channels. The law stipulates that SENCE must offer training courses for Unemployment Insurance beneficiaries, financed by the National Training Fund (FONCAP), while the Solidarity Unemployment Fund finances work re-entry courses for its beneficiaries. Through an additional technical offering delivered through the tendering process, AFCCHILE has also committed the monetary equivalent to 350,000 hours of SENCE training over the 10-year duration of its contract to manage the System, beginning in the second year of operation.

In addition, the legal reform implemented in May 2009 included the creation of a Labor Information System, which aims to provide information for employed workers regarding the evolution of the labor market, thus allowing them to make more informed decisions on where to look for work, what types of jobs are being created and salary ranges, among others. The main source of information used to create this System, which is managed by the Subsecretariat of Labor, of the

¹¹ The tendering mechanism is not described, since the bidding bases have not yet been published.

Ministry of Labor and Social Security, was the Unemployment Insurance Member Database.

1.6 Management

The System is managed by a single administrator that is selected through a public tender for a 10-year period. This Administrator receives a payment for managing the Unemployment Funds, which is calculated, based on the total balance of the Individual Accounts of all contributing workers and the total balance of the Solidarity Unemployment Fund.

In terms of the financial instruments in which Individual and Solidarity Unemployment Funds may be invested, the law establishes the eligible instruments, structural limits on investment of funds, and limits regarding the entities that may issue these instruments, all of which are designed to prevent a concentration of property. Meanwhile, the Unemployment Fund Investment Regime,¹² created by the Superintendence of Pensions, regulates specific issues, following a report by the Technical Investment Council.¹³

The fund management commission charged to members is established in the management contract as a basic commission. This is the decisive variable for awarding the tender, and is calculated based on the accumulated balance, at 0.6% per year, equivalent to 0.049863% per month. This commission is subject to a monthly system of rewards and punishments; in other words, it may increase or decrease depending on whether its yield is greater or less than a reference investment portfolio.

The current Unemployment Fund Administrator (AFCCHILE S.A.) has subscribed a 10-year management contract, beginning on its date of subscription and valid until April 2012. Nevertheless, according to law, the contract shall expire when the new Administrator is able to begin its operations. A list of the functions and obligations of this entity is included in Chapter II.

1.7 User Committee

An interesting and novel characteristic of Unemployment Insurance is the creation of the User Committee, whose main function is to understand the criteria used by the Administrator in the management of Unemployment Funds.

¹² For further details, see Section 1.9 in this Chapter.

¹³ As established in Title XVI of Decree-Law No. 3,500 (1980).

In addition, the Unemployment Insurance Law authorizes this Committee to request information from the Unemployment Fund Administrator on issues pertaining to: (i) procedures to ensure timely and pertinent payment of Insurance benefits; (ii) criteria used by the Administrator to comply with the policies and instructions on information available to contributors in terms of yield and fees, as determined by the Superintendence of Pensions, and (iii) in general, all measures, instruments and procedures designed to adequately comply with the obligations listed in the management contract for Individual and Solidarity Unemployment Funds, and the appropriate use of the functions legally assigned to the Administrator.

The User Committee must produce an annual report on the operations of the Insurance System. It should be noted that the reports presented by this Committee have been an important source for establishing the changes introduced to the Unemployment Insurance in the legal reforms that entered into effect in May 2009.

The Unemployment Insurance User Committee consists of three worker representatives appointed by the country's most representative labor organization; three employer representatives appointed by the country's most representative business organization; and a chairperson from a State-recognized university, who is appointed by a joint Supreme Decree issued by the Ministries of Labor and Social Security and the Ministry of Finance.

The members of the User Committee are appointed for a three-year period, and may be re-elected for one subsequent period. It meets once a month, with a maximum of two sessions during this period, and each member is paid 24 UF per session.

1.8 Delinquency

Law No. 19,728 establishes that contributions charged to both employers and workers must be paid to the Administrator by the employer or the Subsidy Payment Entity (EPS), as the case may be, within the first 10 days of the month after the month during which wages or subsidies were accrued. If the payment is made electronically, this deadline is extended until the 13th day of each month. In order to comply with this obligation, the employer or EPS deducts the contributions charged to the worker from the wage or from the temporary work disability subsidy, respectively.

If the employer or EPS does not pay the contributions of the worker or subsidy beneficiary in a timely manner, it must advise the Administrator that it

acknowledges this social security debt by the established deadline. Otherwise, it may be subject to a government fine of 1 UF for each worker or subsidy beneficiary whose contributions were not declared or whose statements are incomplete or contain mistakes.

If this declaration is not submitted by the corresponding deadline, the employer has until the last working day of two months after its expiration to accredit before the Administrator its exemption from the obligation to pay the worker's contributions due to termination or suspension of their work relationship. Meanwhile, the Administrator must also pursue all actions necessary to clarify the existence of unpaid contributions and obtain payment for them according to the regulations issued by the Superintendence of Pensions. If the deadline for accrediting termination or suspension of the work relationship expires, for purposes of initiating collection actions it shall be presumed that the respective contributions were declared and not paid. This is known as an automatic declaration of non-payment.

It is the responsibility of the Direction of Labor to supervise the payment of social security contributions or the acknowledgment of social security debt by employers, as well as to apply all corresponding sanctions.

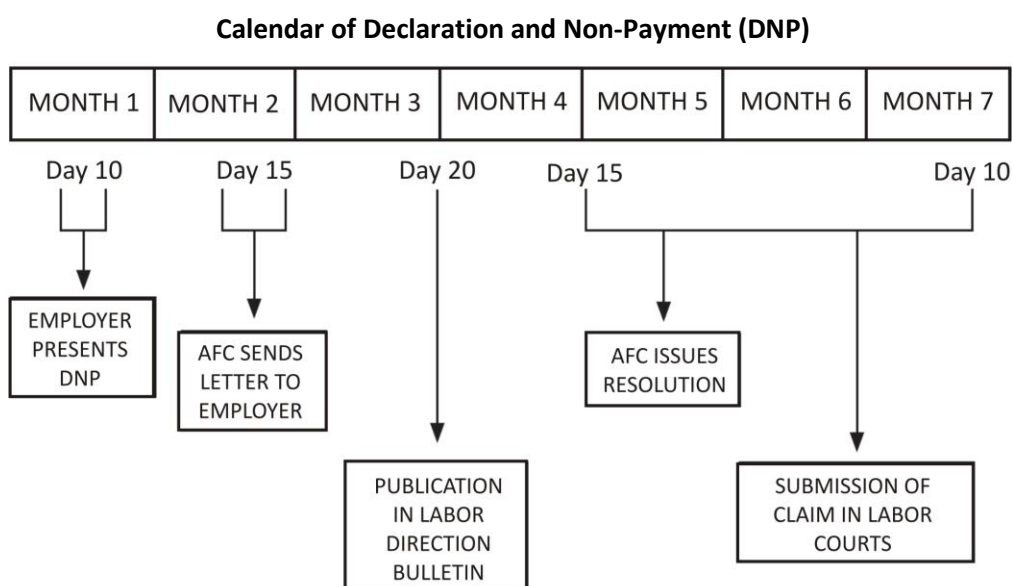
Contributions that are not paid in a timely manner by an employer or the EPS are readjusted according to the CPI (Consumer Price Index), considering the period between the final deadline on which payment due date and the day payment was effectively made.

For each day of delay, the readjusted debt accrues a penalty interest equivalent to the current interest rate for readjustable operations in national currency, as stipulated in Article 6 of Law No. 18,010, augmented by 20%. Starting at ninety days of delinquency, this rate is augmented by 50%. If, during a specific month, the penalty readjustment and interest (augmented as indicated) results in a total sum that is less than the interest for non-readjustable operations established by the Superintendence of Banks and Financial Institutions or the average nominal yield over the last twelve months of the Individual Account Unemployment Fund (both augmented by 50%), the greater of the two rates shall apply, in which case it is not readjusted.

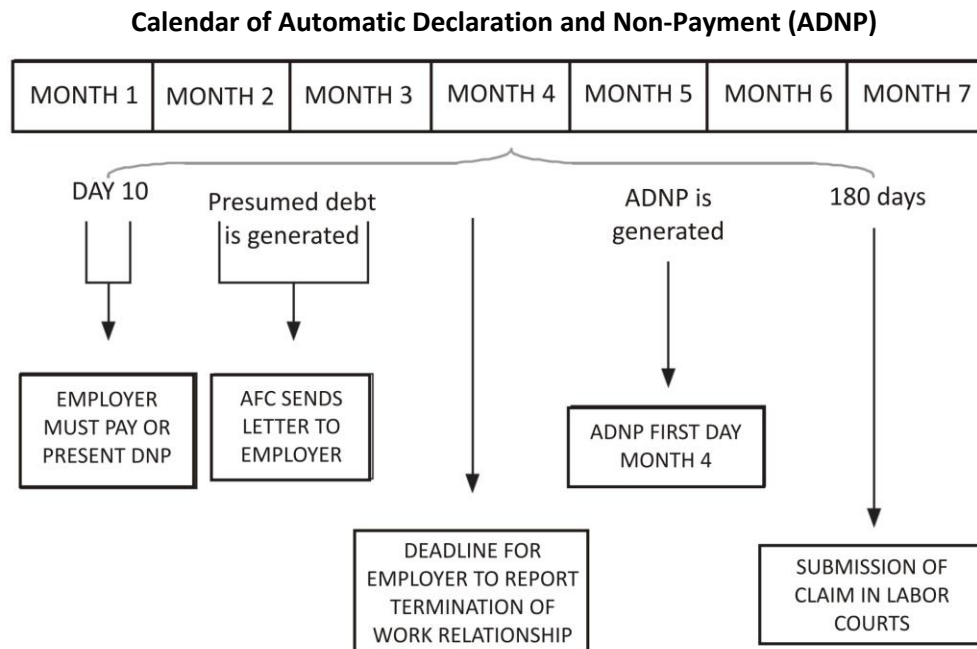
All readjustments and interests are deposited, along with the contributions, in the Individual Account of the member or in the Solidarity Fund; however, the portion of the interest surcharge equal to 20% of the interests that would have been paid if the simple interest was applied to the readjusted debt, is paid to the Administrator.

Delinquency caused by a Declaration of Non-Payment creates a debt between employers and their members. This debt creates civic and potentially criminal responsibilities which are handled by the Courts of Justice.¹⁴ The prejudicial collection stage begins on the date when contributions are declared and not paid, with a maximum period of 180 days. During this stage, the Administrator must take all extrajudicial or administrative actions necessary to ensure payment by sending letters or establishing personal/telephone contact with employers. At the end of this period, if no payment has been made, the stage of judicial collection may begin. This stage is characterized by the emission of an executive judicial collection order (resolution). The following is a calendar of the collection process in the case of Declaration and Non-Payment or Automatic Declaration and Non-Payment.

Figure I.2
Calendar of collection process



¹⁴ Article 13 of Law No. 17,322 establishes the crime of improper appropriation of social security contributions: "Without detriment to the provisions of Articles 12 and 14 of this law, the sanctions laid out in Article 467 of the Criminal Code for those who, to the detriment of a worker or his/her rightful claimants, would appropriate or divert monies from contributions discounted from the workers wages."



Source: Superintendence of Pensions

1.9 Unemployment Fund Investments

Unemployment Fund investments are regulated by Law No. 19,728, Decree-Law No. 3,500 (1980), the Unemployment Fund Investment Regime, and all complementary regulations. Beginning in November 2009, the law that perfected Unemployment Insurance introduced a series of modifications designed to create a more efficient investment portfolio and achieve a better combination of expected risk and yield.

Law No. 19,728 –and supplementarily Decree-Law No. 3,500 (1980)– established the eligible instruments, structural limits on Unemployment Fund investments, and limits on issuing entities.

Meanwhile, the Unemployment Fund Investment Regime regulates specific investment issues that require greater flexibility and detail; establishes the reference portfolio for determining increases or reductions to the fees charged by the Administrator; and establishes investment limits in order to promote a more adequate diversification of Funds. The Superintendence of Pensions is responsible for creating and updating this regime, according to the recommendations of the Technical Investment Council on this subject. The Superintendence may not include in the Investment Regime any content rejected by the Council in its report, and after receiving authorization from the

Ministry of Finance, it must issue a resolution that establishes the Investment Regime, including any reasons why it did not consider the recommendations of the Council.

1.9.1 Reference Portfolios and Distribution of Yield

The law stipulates that the resources of Individual Accounts and the Solidarity Unemployment Fund must be invested with the sole purpose of ensuring an appropriate yield and security. These investment decisions must seek to generate additional returns over the reference portfolios, so that the real yield of each Fund is equal to or greater than the real yield of its reference portfolios over a period of time, while keeping the risks under control.

The Investment Regime establishes the reference investment portfolios for Unemployment Funds, taking into consideration the following aspects:

- a) Reference portfolios must reflect investment criteria that are aligned with the protection goals of the Insurance.
- b) Reference portfolios are subject to being replicated.
- c) Reference portfolios use criteria that aim to ensure investment stability.
- d) The information upon which reference portfolios are based is freely accessible and not altered or manipulated.
- e) Reference portfolios must use criteria that aim to diversify their composition, in terms of at least the following: issuing entities, nature of instruments and markets.

Two types of reference portfolios may be identified: one applies to Individual Unemployment Accounts and the other to the Solidarity Unemployment Fund. The differences between these two are the types of assets and the proportions of the investments made. The composition of both portfolios is shown below:¹⁵

Reference Portfolio for the Unemployment Fund (CIC)

Domestic financial intermediation instruments	45%
Domestic fixed-income instruments	45%
Foreign debt instruments	10%

¹⁵ Current reference portfolio, according to Resolution No. 24 from July 8, 2009 of the Superintendency of Pensions.

Reference Portfolio for the Solidarity Unemployment Fund (FCS)

Domestic financial intermediation instruments	10%
Domestic fixed-income instruments	75%
Domestic variable-income instruments	5%
Foreign debt instrument	5%
Foreign variable-income instruments	5%

The following types of assets may be included in the reference portfolios:

Domestic fixed-income or foreign debt instruments: these are securities representing debt or obligations issued by private entities and the State, in order to obtain resources to finance their activities. These instruments must have a risk rating equal or greater than BB or N-4.

Financial intermediation instruments: these are securities representing short-term and medium-term debt or obligations, which are issued as single instruments, and have a risk rating equal or greater than BB or N-4.

Variable-income instruments: these are instruments representing capital which are characterized by presenting variable and volatile returns.

The composition of reference portfolios by types of assets is represented through financial indexes. To create indexes for fixed-income and domestic financial intermediation instruments, these must consider all instruments in the custody of legally authorized institutions, which are appraised using the same method applied to Pension Funds. Meanwhile, the types of assets of foreign instruments shall use the existing indexes that are recognized in foreign markets.

On the other hand, the management commission charged by the Administrator for the balances it manages in both the Individual Unemployment Accounts of contributors and the Solidarity Unemployment Fund may be increase or reduced by 10% in regard to the commission offered during the tendering process.¹⁶ This increase (or reduction) shall occur if the real yield of the Unemployment Fund or the Solidarity Unemployment Fund over the last six months is over (or under) the maximum (or minimum) limit corresponding to the real semestral return of the reference investment portfolio plus (minus) the average bandwidth. For example, if in a given month the real yield of the reference portfolio for Unemployment Funds over the last six months is 5%, and the bandwidth established for this fund

¹⁶ The commission established in the public bid of the current Unemployment Fund Administrator is 0.6% annual over the balance managed.

by the Investment Regime is 1%, then the commission charged would be increased if the average real yield of the last six months for Unemployment Funds is higher than 5.5% and would be reduced if it is under 4.5%.

In accordance with Resolution No. 24, issued on July 8, 2009 by the Superintendence of Pensions, the current bandwidth for Individual Unemployment Accounts is 0.7 percentage points and 2.0 percentage points for the Solidarity Unemployment Fund.

1.9.2 Eligible Instruments and Requirements for Unemployment Funds

Unemployment Fund resources may be invested in all financial instruments, operations and contracts authorized under Decree-Law No. 3,500 (1980) for Pension Funds, in accordance with the conditions and limits established by law and by the Unemployment Fund Investment Regime.

Currently, Unemployment Funds may be invested in government securities issued by the Central Bank of Chile and the General Treasury of the Republic, pension recognition bonds, and other securities issued or guaranteed by the Chilean State; instruments issued or guaranteed by financial institutions, such as fixed-term deposits, bonds, other securities representing deposits, letters of credit; public and private company bonds; stocks; investment fund or mutual fund shares; negotiable instruments issued by companies; foreign instruments, and others.

Foreign instruments, operations and contracts include debt securities issued or guaranteed by foreign governments, foreign central banks or international banks; debt securities issued by municipalities, regional or local governments; negotiable instruments or securities issued by foreign banks, bank acceptances; bonds; short-term deposits issued by foreign banks; negotiable certificates; stocks; mutual and investment fund shares; securities representing financial indexes; structured notes, among others.

The Administrator may also use Unemployment Fund resources to conduct hedging operations and investments with derivative instruments.

Securities or financial instruments purchased by Unemployment Funds must meet certain eligibility requirements, and for this purpose, these assets have been grouped into three categories:

- a) First category: assets included in the reference portfolio.
- b) Second category: assets not included in the reference portfolio.
- c) Third category: assets that may or may not be included in the reference portfolio, but are governed by the special rules outlined in Law No. 19,728.

Each of these categories is subject to certain conditions and limits that are explained in Section 1.9.4.

The goal of this regulation is to allow the Administrator to acquire an investment portfolio that is well-suited to the nature of the unemployment contingency, more efficient, but always safeguarding the value of these funds.

1.9.3 Risk Rating

The Risk Rating Committee (CCR) was created in 1985 with the goal of approving or rejecting the debt and capital instruments issued by Chilean and foreign entities that may be purchased by Pension Funds and, therefore, also by Unemployment Funds.

Nevertheless, given the current financial market conditions and the development of the private risk rating industry, the functions of this committee are limited to the assessment and supervision of certain securities, such as investment and mutual fund shares, foreign variable income, clearing houses for hedging operations, national and foreign debt securities, and other public offering instruments, as required by the Superintendence of Pensions.

Currently, the ratings issued by national risk rating entities are generally ratified by the Risk Rating Committee, and very few differences are observed.

In terms of the risk categories permitted for Unemployment Funds, the law establishes that these Funds may purchase debt instruments with at least two risk ratings equal or greater than BBB or N-3 and issued by different private rating entities. In the specific case of stocks of publicly traded corporations, the issuing entity must meet the minimum requirements established in the Unemployment Fund Investment Regime, or these must be rated as first class by at least two entities. Also, Unemployment Funds may invest in securities that do not meet the aforementioned risk ratings, as long as they follow the rules of the Unemployment Fund Investment Regime.

1.9.4 Investment Limits

The law establishes that the resources of Individual Accounts and the Solidarity Fund must be invested with the sole purpose of ensuring an appropriate yield and security. Therefore, the portfolio of each Fund is determined by the various types of investment limits established by law, the Unemployment Fund Investment Regime, or the Central Bank of Chile.

The Administrator must respect three types of limits: structural, per instrument and per issuing entity.

Structural limit: its goal is to establish a minimum and maximum level for the percentage of Unemployment Funds invested in certain groups of instruments.

Limit per instrument: it helps achieve an appropriate diversification for the instruments in the Unemployment Fund portfolio, limiting the possible combinations of yield and risk.

Limit per issuing entity: it has a dual objective; the limit established as a percentage of the value of funds may help reduce the concentration of Unemployment Fund investments in instruments issued or guaranteed by a single entity. In terms of the limit established as a percentage of the assets or equity of the issuing entity, it seeks to prevent Unemployment Funds from becoming the controlling interest in an issuing company, creating limits per issuing entity for different sectors (financial sector, business sector, foreign sector, derivatives, and global limit per issuing entity). Meanwhile, each of these sectors has different limits according to the type of instrument involved.

The following tables display the values of the limits established for Unemployment Funds.

**Box I.2 Limits on structural investments
(According to the value of the fund)**

Instrument	Individual unemployment		Solidarity unemployment		Individual	Solidarity
	Maximum limit range		Maximum limit range		Maximum limit ¹	Maximum limit ¹
	Minimum	Maximum	Minimum	Maximum		
Issued by the General Treasury of the Republic, the Central Bank of Chile, the Ministry of Housing and Urban Development, Recognition Bonds and other government securities.	50%	80%	35%	70%	80%	70%
Limit per fund: Foreign instruments + indirect investment abroad through Investment Fund Shares (CFI) and Mutual Fund Shares (CFM).	30%	80%	30%	80%	30%	30%
Investment in foreign currency without exchange coverage.	10%	15%	25%	35%	No less than 15%	No less than 35%
Restricted securities: Restricted ACC + low liquidity (ACC+CFI+PFI) + (CFI+CFM+CME+CIE) not approved by Risk Rating Committee + (DEB+BCA+ACC+ECO+OAC) whose issuing entity has less than three years of operations + (FIN+LHF+DEB+BCA+ECO+EXT+OAC) with risk rating of less than BBB and N-3 or less than 2 ratings.	0%	5%	10%	20%	3%	10%
Variable income	5%		30%		-	-

(1) Maximum limits established by the agreement adopted by the Council of the Central Bank of Chile in Extraordinary Session No. 1489, held on July 15, 2009. CFI: investment fund shares; CFM: mutual fund shares; ACC: open joint-stock company stocks; PFI: promises to purchase national investment fund shares; CME: shares issued by foreign mutual funds; CIE: shares issued by foreign investment funds; DEB: public and private company bonds; BCA: exchangeable bonds; ECO: negotiable instruments; OAC: other instruments whose issuing entities are supervised by the SVS and SBIF, authorized by the Central Bank of Chile; FIN: fixed-term deposits, and other securities representing deposits from financial institutions, and securities guaranteed by financial institutions; LHF: letters of credit issued by financial institutions; EXT: Instruments issued by foreign entities.

Source: Superintendence of Pensions

Box I.3
Limits on investment by class of assets and type of instruments

Instrument	Individual unemployment	Solidarity unemployment
	Maximum limit	Maximum limit
Each class of asset in the Reference Portfolio.	% of this class in the reference portfolio + 5%	% of this class in the reference portfolio + 5%
Each type of instrument included in a class of asset.	% of instrument in this class + 5%	% of instrument in this class + 5%
Instruments not included in the reference portfolio (Second Category).	2%	2%
Operations or contracts for loans or mutuum on national financial instruments belonging to the FC and which comply with the characteristics of the general rules dictated by the Superintendence.	15% of the domestic portfolio	15% of the domestic portfolio
Foreign instruments on loan.	1/3 foreign investment	1/3 foreign investment
Restricted stocks + stocks and shares of low liquidity investment funds + mutual fund and investment fund shares not approved by the CCR + debt instruments with ratings of less than BBB and N-3 or less than 2 ratings.	Same as limits on restricted instruments	Same as limits on restricted instruments
Total sum of resources delivered as margins in financial risk hedging operations, to entities other than compensation funds.	2% domestic and 2% foreign	2% domestic and 2% foreign
Investment operations with derivative instruments.	3%	3%
Investment operations with derivative instruments.	Measurement of exposure: add the exposure to the asset involved to all relevant limits and subtract the “financing” corresponding to debt instruments	

CCR: Risk Rating Committee.
Source: Superintendence of Pensions

Box I.4
Investment limits per issuing entity

Instruments	Individual funds	Sum of funds	
Sector	% Fund	% Company	% Series
I. Financial Sector Deposits in current accounts and fixed-term accounts, and debt securities issued by banks, financial institutions and their subsidiaries, or guaranteed by them.		MU1 x Net Equity	
II. Business Sector A. Bonds and Negotiable Instruments Debt securities issued or guaranteed by leasing companies. Bonds + negotiable instruments issued or guaranteed by individual companies. Bonds + negotiable instruments issued or guaranteed by a home office and its subsidiaries. Bonds + negotiable instruments issued or guaranteed by securitization companies. B. Stocks Open joint-stock company stocks. Banking or financial institution stocks. C. Investment and Mutual Fund Shares Investment Fund Shares + amount of contributions committed. Mutual Fund Shares.		0.7 x Net Equity 0.12 x Assets of issuing entity 0.12 x Net assets of consol. issuing entity	35% series 35% series 35% series 35% series 20% new emission 20% new emission 35% new emission
III. Foreign Sector Stocks traded on domestic markets but not approved by the CCR. Mutual and investment fund shares of letter j) by a same issuing entity not approved by the CCR and traded on domestic market.		7% x Stocks 35% x Shares	
IV. Derivatives Sector National OTC derivative instruments. Foreign OTC derivative instruments.	4% VF 4% VF		
V. Global Limit per Issuing Entity Instruments belonging to the reference portfolio (First Category). Instruments not belonging to the reference portfolio (Second Category).	10% VF 0.5% VF		

MU1: single multiple for all financial institutions with ranges of between 0.5 and 1.5, set by the Central Bank.
VF: value of the unemployment fund (closing value of the instrument portfolio plus the balance of national and foreign current account investments).

Source: Superintendence of Pensions

Chapter II

Characteristics of the Unemployment Fund Administrator

2.1 General Characteristics¹⁷

2.1.1 Market Description

Unemployment Insurance is managed by a single operator, the Unemployment Fund Administrator, which acquires this role through a public tendering process. It is selected mainly because of its technical qualifications for providing the service, as well as the value of the fund management commission that must be paid by contributors to the System. As mentioned before, this commission shall be charged over the total balances of contributing members and the total balance accumulated in the Solidarity Unemployment Fund. The public bidding bases establish the duration of the period during which the selected Administrator shall manage these funds, which may not exceed 10 years.

Although the design of the Unemployment Insurance stipulates that the System must have a single Administrator (that is, it creates a monopoly in this market), the tendering system establishes an *ex-ante* competition, in which potential administrators compete to offer the lowest fund management commission. In other words, although there is no competition during the period in which the selected Administrator manages funds, there is competition during the tendering

¹⁷ Some of the aspects described in this section are part of the management contract of the current Unemployment Fund Administrator (AFCCHILE S.A.), and may be subject to changes in future tenders.

process. Therefore, this system does not consider competition “in the market,” but rather competition “for the market.”

In these tendering systems, it is important to consider the incentives for the company that is selected through the public tendering process, and therefore earns the right to become a monopoly. These incentives are aligned with offering a lower-quality service and, in the specific case of Unemployment Insurance, with not making an effort to achieve an appropriate combination of yield and risk while managing Unemployment Fund investments.

For this reason, the System generates mechanisms to control these potentially negative incentives, the most important of which are the following: (i) bidding bases with exhaustive specifications in terms of the service, obligations and duties expected of the Administrator selected to manage Unemployment Funds; (ii) a contract between the Chilean State, represented by the Minister of Labor and Social Security and the Minister of Finance; (iii) bidding documents presented by the selected Administrator during the tendering process, which become part of the management contract; (iv) general instructions issued by the Superintendence of Pensions; and (v) a permanent oversight conducted by the Superintendence of Pensions, in terms of the fulfillment of the Administrator’s obligations.

One element that helps ensure appropriate fulfillment (in both time and form) of the Administrator’s obligations is the use of guarantees in both the installation stage and subsequent stages. These guarantees are returned to the Administrator as the stipulated obligations are completed.

In addition, in order to control the incentive to fail to achieve an appropriate combination of expected risk and yield in the management of Unemployment Funds, the investment of funds is also regulated through a system of rewards and sanctions that are applied to the management commission charged by the Administrator. Thus, the commission proposed by the Administrator during the tendering process may be increased or reduced according to the yield obtained in comparison to its reference portfolio.

The System also has a participatory mechanism to control its operations: the Unemployment Insurance User Committee provides a general perspective of the System through an annual report.

Currently, and since October 2002, the *Providencia* bidding group, which consists of the seven Pension Fund Administrators that were operational at that time, was awarded the management of Unemployment Funds. It offered to charge an

annual commission of 0.6% over the total balances of the Individual Unemployment Accounts of contributing members and the total balance of the Solidarity Unemployment Fund. Three months after the tender was awarded, in April 2002, a joint-stock company called “Unemployment Fund Administrator S.A., AFCCHILE” was created. This company developed and implemented the systems necessary to begin Unemployment Insurance operations in October of that same year.

Throughout the years of operation of the Insurance, Pension Fund Administrators have shared with AFCCHILE S.A. not only their knowledge and experience in the field of social security and computer systems, but also the infrastructure of their network of agencies, thus contributing to the consolidation of Unemployment Insurance and taking advantage of synergies and economies of scale.

2.1.2 Legal Aspects

The Unemployment Fund Administrator is a private entity, with a single business purpose, and which has the exclusive goal of managing Unemployment Funds and granting and managing the services and benefits established in Law No. 19,728, which regulates the Insurance Regime. The Administrator is also governed by the rules established in Law No. 18,046 on joint-stock companies, as long as they do not come into conflict with the legal regulations governing Unemployment Insurance.

The main legal aspects for the Unemployment Fund Administrator are described below:

- i. It is an entity subject to the control and supervision of the Superintendence of Pensions, which is granted the same legal powers it has with regard to other supervised entities.
- ii. The Administrator must ensure that the service is rendered constantly and in absolutely normal fashion, and may subscribe service contracts with external entities in order to better fulfill its obligations.
- iii. The duration of the contract is established in the bidding bases and may not be more than ten years.
- iv. The minimum capital necessary to establish the Administrator is 20,000 UF (*Unidades de Fomento*, or Chilean units of account). This company must also maintain a net equity that is at least equal to the minimum required capital. If the minimum capital is not maintained, the Administrator has a period of six months to obtain it, or its authorization is revoked and the company is liquidated.

- v. The Administrator is subject to the same rules that are set forth in Decree-Law No. 3,500 (1980), which governs Pension Fund Administrators, particularly in terms of the purchase, maintenance, custody and sale of financial instruments belonging to Unemployment Funds, as well as the rules on conflicts of interest. However, the Administrator is exempt from keeping a cash reserve and all the responsibilities derived from such an obligation.
- vi. The Administrator is authorized to earn a fee, which is established on the basis of fees and charged to System contributors. This commission is deducted from the contributions or the Unemployment Funds. The commission agreed upon is stipulated in the management service contract subscribed by the Entity and is subject to a system of rewards and sanctions, depending on the yield of the balances managed in comparison to the reference investment portfolios established in the Unemployment Fund Investment Regime. Only workers who are currently contributing must pay fees.
- vii. The net equity of the Administrator is independent from the net equity of the Unemployment Funds. The Administrator must also keep separate accounting books for the net equity of each Unemployment Fund.
- viii. The main causes of management contract termination stipulated by law and public bidding bases for the management service are as follows:
 - a) Frequent suspensions or interruptions of services and/or delays in payment beyond the established deadlines.
 - b) Deficit of the minimum capital not accrued by the legal deadline.
 - c) Having been fined by the Superintendency of Pensions ten times during one calendar year, as long as the total amount of fines is more than 10,000 UF.
 - d) Causing serious damage or detriment to the funds managed by the Administrator.
 - e) Using the database necessary for the operations of the Insurance for other purposes that lead to economic or commercial benefits for the Administrator or a third party.
 - f) Bankruptcy of the Administrator.

In the event that any of these situations should occur, the Unemployment Fund shall be transferred to a Provisional Administrator designated by the Superintendency of Pensions, until a new management contract is awarded.

This contract may also be terminated upon expiration of the established period or the agreement between the parties involved; that is, the Ministry of Labor and Social Security and the Ministry of Finance, and the Administrator. These causes shall determine the need for a new tendering process for the service, which must consider a period of time that ensures the continuity of all contracts.

- ix. The Administrator is legally obliged to pursue all actions necessary to collect the mandatory contributions that are owed by the members of the System, plus any readjustments and interests.

2.1.3 Main Activities of the Administrator

The main activities developed by the Administrator to fulfill its exclusive goal, are the following:

- i. Management of Unemployment Funds: One of the main tasks of the Administrator is to manage Individual Unemployment Accounts (belonging to System members) and the Solidarity Unemployment Fund. Thus, the Administrator is also responsible for collecting the contributions, a service which may be subcontracted to external companies.

In order to collect the social security contributions and the declarations of social security debt acknowledgment, the Administrator may subscribe agreements with Pension Fund Administrators, banking institutions, family compensation funds and other specialized institutions authorized by the Superintendence of Pensions.

Similarly, contributions may be paid online or using a mixed system. The first mode consists in a payment made through an electronic transfer of information and funds, while the mixed system combines the electronic transfer of information with a physical mean of payment.

In regards to other aspects related to the management of accounts, it is important to observe that the Administrator must adequately register and store a series of additional movements made with funds on a specific date, such as the accreditation of contributions, the clarification of delays, the resolution of complaints and excess payments, fees, withdrawals for payments of benefits, etc. It must also pursue all actions necessary to ensure the payment of all appropriate social security contributions to members.

- ii. Investment of Unemployment Funds: the Unemployment Fund Administrator is responsible for managing the portfolio of Unemployment Fund investments. The resources of Unemployment Individual Accounts and the Solidarity Unemployment Fund may be invested in the same financial instruments, operations and contracts that Decree-Law No. 3,500 (1980) authorizes for Pension Funds, in accordance with the maximum limits established by the Central Bank of Chile and always within the ranges established in the Unemployment Insurance Law and the Unemployment Fund Investment Regime.

In other words, Unemployment Fund resources may be invested in fixed-income and variable-income instruments, either in domestic or foreign markets, thus diversifying the exposure to risk and the possibility of obtaining a better yield.

- iii. Granting and Managing Benefits: the Administrator has the responsibility to grant and pay workers all unemployment benefits established in Law No. 19,728. For this purpose, it must receive the documentation presented by members, verify fulfillment of the legally established requirements and, when necessary, grant and pay the monetary benefits that workers are entitled to within the periods of time and under the conditions established in the rules set forth by the Superintendence of Pensions.

In order to fulfill the tasks assigned to it by law, the Administrator must possess the necessary infrastructure: a network of agencies and systems of information and control capable of guaranteeing the proper allocation and payment of benefits within the periods of time established in the regulations.

- iv. Service and Information: the Administrator must facilitate access to relevant information related to how the Insurance operates and how benefits are obtained. For this purpose, it must meet several requirements that aim to guarantee an appropriate level of services for workers that are members.

As mentioned before, it must possess a network of agencies with well-trained personnel and information systems capable of facilitating communication with the main office, so that, in addition to verifying the fulfillment of requirements for accessing benefits, information is provided on the progress of a claim or complaint submitted by a member and other activities pertaining to customer service.

Besides the service provided at its offices, the Administrator must send members who have made at least two social security contributions to Unemployment Insurance in the last 12 months an annual summarized statement listing the movements of their Unemployment Individual Accounts. Together with this report, they must provide information on the yield of the shares of the Unemployment Fund and the fees charged during the corresponding year.

It is important to point out that the tasks the law assigns to the Administrator must comply with minimum standards of service,¹⁸ which are described in sections 2.1.4 to 2.1.7.

2.1.4 Rules for Managing Unemployment Individual Accounts and Solidarity Unemployment Fund

The management of the Individual Accounts of members and the Solidarity Unemployment Fund must comply with the following service standards:

- i. **Membership:** This occurs when the worker subscribes a voluntary membership request, or when an employer acknowledges a social security debt, or when an employer pays contributions to the Unemployment Insurance corresponding to a specific worker. The worker must be included in the database before the 15th day of the month after the month in which these events occurred.
- ii. **Creation of the Individual Unemployment Account:** An Individual Unemployment Account must be created for each worker before the 15th day of the month after the month on which the debt was acknowledged, contributions to the Unemployment Insurance were paid, or a voluntary membership request was made.
- iii. **Database:** The final deadline for updating the Database with a worker's general information, the movements of the Unemployment Individual Accounts and the submission of documents, shall be the 15th day of the month after the month during which the corresponding movements or changes were made.
- iv. **Accreditation of contributions:** The resources from the contributions of employers and workers must be accredited in the Unemployment

¹⁸ According to Title VI of Supreme Decree No. 214 on Public Bidding Bases for the service of managing the Mandatory Unemployment Insurance.

Individual Accounts and the Solidarity Unemployment Fund by the 15th day of the month after the month during which these funds were collected.¹⁹ However, at least 90% of the total amount collected each month must be accredited in the net worth of the funds within the same month, except for contributions which were mistakenly reported by the employer.

- v. Collection: The final deadline for initiating prejudicial collection of unpaid contributions is up to 45 days, and the deadline for initiating judicial collection is up to 180 days, both counting from the expiration of the deadline for acknowledging the debt.
- vi. Resolution of Complaints and Excess Payments: As a general rule, all requests for resolution of complaints and refund of excess payments must be submitted by the deadline established by the Superintendence of Pensions.

2.1.5 Rules for Managing Unemployment Funds

In regards to the management of Funds, the Administrator must possess the operational and human resource capacities to comply with the following rules:

- i. Sending financial and accounting information on Unemployment Funds and the Administrator to the Superintendence of Pensions, by the deadlines and in the ways established by the Superintendence.
- ii. Calculating the value of Unemployment Fund shares, using the methods and periodicity established by the Superintendence of Pensions.
- iii. In the event that it does not subcontract management of the entire portfolio of Unemployment Fund investments, the Administrator must maintain a trading desk for the investment of Unemployment Fund resources that is separate from any other investment platform.
- iv. Appraising the financial securities and values belonging to the Unemployment Funds according to the periodicity and methods of appraisal established by the Superintendence of Pensions.

¹⁹ In other words, the Administrator has a maximum period of 45 days to accredit the contributions to the respective funds, counting from the accrual of the worker's taxable wage.

- v. Purchasing and selling financial and risk hedging instruments for Unemployment Funds in secondary markets authorized by the Central Bank of Chile.
- vi. Executing financial instrument transactions for Unemployment Funds according to the rules established for this purpose by the Superintendence of Pensions.
- vii. Sending information on transactions made with Unemployment Fund resources in the ways and within the deadlines established by the Superintendence of Pensions.
- viii. Sending information on the investment portfolio and the charges arising from repayment and interests, in the ways and within the deadlines established by the Superintendence of Pensions.
- ix. Returning to the Unemployment Funds, with resources of the Administrator, in the ways and within the deadlines established by the Superintendence of Pensions, all losses in yield caused by not charging interests and repayments originated by financial instruments belonging to the Unemployment Funds in a timely manner, due to causes attributable to the Administrator.
- x. Returning to the Unemployment Funds, with resources of the Administrator, in the ways and within the deadlines established by the Superintendence of Pensions, the portion of losses of yield caused by not charging the financial instruments in the investment portfolio by the date of expiration or early repayment, as well as not charging any other benefit corresponding to these Funds in a timely manner, due to causes attributable to the Administrator.
- xi. Establishing the expenses associated to the purchase and sale of financial and risk hedging instruments, for Unemployment Funds, which shall be charged to the Administrator, as well as all expenses arising from the management and use of the current accounts of these Funds.
- xii. Implementing procedure manuals regarding transactions involving financial instrument belonging to Unemployment Funds, which must consider, among other aspects, the separation of functions, the existence of crosschecks, backup systems and independent safeguards.

- xiii. Implementing a protection of management systems that considers, among other things, a separation of functions in the custody of securities, the quality of security storage systems, etc., which tend to safeguard the security of financial instruments held locally by the Administrator, as well as its correspondence with the registries used by the financial, accounting and computer systems.
- xiv. Implementing a protection of management systems and their corresponding financial, accounting and computer registries, as well as internal control mechanisms that may allow the Administrator to detect any transgression of regulations that rule the management of Unemployment Funds.
- xv. Making Unemployment Fund investments abroad, in accordance with the rules issued by the Superintendence of Pensions.
- xvi. Possessing external auditors that may annually report on the management process, information systems and internal controls. However, the responsibility for the design, updating and operational mechanisms of these systems is the exclusive responsibility of the Administrator.
- xvii. Fulfilling the requirements for information related to the opening, maintenance and closing of the national and foreign current accounts of Unemployment Funds and of the Administrator itself, in accordance with the rules issued by the Superintendence of Pensions, while maintaining these respective balances up-to-date.
- xviii. Performing cash counts and audits for both the Unemployment Funds and the Administrator itself, in the ways and within the deadlines established by the Superintendence of Pensions, and on the matters it esteems to be pertinent. These audits may be performed by the Administrator itself or by external auditors.
- xix. Possessing procedure manuals for domestic and foreign investments and risk hedging, as well as for custody and treasury.
- xx. Providing the Superintendence of Pensions with a file containing a list of the transactions made by the Unemployment Fund Administrator and those made with related individuals, with the periodicity and in the ways established by the Superintendence.

- xxi. Providing the Superintendence of Pensions with a file containing a list of the transactions made by the individuals named in Article 151, letter 1 of Decree-Law No. 3,500 (1980),²⁰ and which due to the nature of their job or position have access to information on Unemployment Fund investments, as well as those made by their spouses, with the periodicity and in the ways established by the Superintendence.
- xxii. Providing the Superintendence of Pensions with a file containing a list of the individuals related to the Unemployment Fund Administrator or who, due to the nature of their job or position, have access to information on Unemployment Fund investments, with the periodicity and in the ways established by the Superintendence.
- xxiii. Registering the Unemployment Fund Administrator, prior to the transaction of an instrument, if it is done in its own name or through the Unemployment Funds, in accordance with the operating rules set forth by the Superintendence. The Unemployment Fund Administrator is exempt from this obligation whenever it has transferred the management of its entire portfolio to a third party (or parties).
- xxiv. Demanding that external auditors report on the registry of transaction orders and control mechanisms implemented by the Unemployment Fund Administrator, in order to avoid operations that may be detrimental to the Unemployment Funds.
- xxv. Informing the individuals affected by the obligations and prohibitions stipulated in Title XIV of DL 3,500 (1980),²¹ so that they may not claim ignorance regarding the law. Also, the Unemployment Fund Administrator must create internal systems and mechanisms of control which may allow it to prevent, detect and correct all violation of regulations, rules or instructions set forth by the Superintendence of Pensions in a timely manner, as well as all mechanisms necessary to avoid future or repeated violations, thus remaining compliant with the instructions issued by this entity.

²⁰ Directors of AFPs, their controllers, managers, executives and, in general, any person who, due to the nature of their position, has information on the investment of Pension Fund resources before it is officially published on the market.

²¹ Title XIV refers to the regulation of conflicts of interests, and affects mainly the directors of AFPs, their controllers, managers, executives and their respective spouses, as well as the general, commercial and investment managers, executives, heads of marketing and investment departments, and sales agents of all entities within the business group to which the Administrator belongs.

- xxvi. Possessing external auditors capable of presenting an annual report, in addition to the Management Report, on the internal information and control systems mentioned in the previous paragraph. However, the responsibility for the design, updating and operation mechanisms of these systems is the exclusive responsibility of the Unemployment Fund Administrator.
- xxvii. In the event that the Administrator decides to subcontract functions with a third party, particularly the function of managing the Unemployment Fund portfolio, extending the aforementioned obligations as corresponds, without detriment to the operating rules set forth by the Superintendence of Pensions in this regard.

2.1.6 Member Services

Services for members must meet the following standards:

- i. Unemployed workers who enter the offices of the Administrator to request a service, pursue any action regarding a claim being processed, or ask for information, must be served within the next 60 minutes, beginning from the moment when they request customer service. This deadline may be extended by the Superintendence of Pensions through an administrative ruling.
- ii. When claiming an unemployment benefit, members must receive instructions that may orient them with respect to the insurance process, its rules and all associated benefits.
- iii. The decision whether or not to grant a claimed unemployment benefit, may not be delayed beyond the working day subsequent to the reception of all relevant information. This deadline may be extended by the Superintendence of Pensions through an administrative ruling.
- iv. In the case of an unemployed worker whose cause of termination corresponds to Numbers 4, 5 and 6 of Article 159 (expiration of deadline, end of working relation, and fortuitous events or *force majeure*) or Article 161 (company needs) of the Labor Code, the Administrator must analyze their right to use the Solidarity Unemployment Fund.
- v. Any member who meets the requirements to receive a benefit must be told which Municipal Labor Mediation Office he/she is assigned to, and

must be given a simulation of the benefits to be received through the Solidarity Unemployment Fund or charged to their individual accounts, whichever case applies.

- vi. Along with the above information, the worker must be offered a form to submit their choice.
- vii. Along with the decision to grant a claimed unemployment benefit, the Administrator must inform the worker of the date of the first payment and any other benefits he/she may be entitled to.
- viii. Before granting a benefit charged to the Solidarity Unemployment Fund, and before delivering out each of the corresponding payments, the Administrator must receive accreditation that the worker is eligible to receive such benefits in accordance with the provisions of Article 28 of Law No. 19,728.²² This accreditation process must follow the rules set forth jointly for this purpose by the Superintendence of Pensions and the National Training and Employment Service.
- ix. The Administrator must submit to the OMIL closest to the address of the beneficiary, the Labor Registry File which the worker must subscribe when claiming the benefit, by the deadline stipulated in the regulations issued by the Superintendence of Pensions.
- x. Once it has been granted, the first payment of an unemployment benefit must be made within 30 consecutive days of the date of accrual or within 10 working days of reception of the claim for the benefit, whichever is later. All subsequent payments must be made on the same day of the months after the first.
- xi. In the event that a worker should die, or if he/she had received a pension, the funds of the Individual Unemployment Account must be delivered within 10 working days after the reception of the corresponding claim and the information that supports the right to withdraw these funds.

²² This Article establishes that unemployed workers shall lose their unemployment benefits if they reject, with no justifiable cause, a job offered by the OMIL with a wage equal or greater than 50% of the income received at their last job. The benefit is also suspended if the member rejects a training scholarship offered and financed by SENCE.

2.1.7 Coverage Required

In order to fulfill the tasks assigned to it by law, the Administrator must possess a network of agencies, as indicated below:

i. Collection and Payment Centers (CRP)

These offices allow employers to deposit the workers' contributions and workers to cash their Unemployment Insurance benefits. In terms of coverage, there must be a CRP in each municipality with at least two financial or social security institution offices or branches. There must also be a CRP on Easter Island (Rapa Nui).

ii. Member Service Centers (CAA)

These offices receive claims, grant benefits, deliver answers, provide information to the public, and resolve controversies between the Administrator and members. In terms of coverage, Member Service Centers must be available at the following locations:

- a) One in each regional capital.
- b) One in each provincial capital with population equal to or greater than 30,000 inhabitants.
- c) One in each municipality with population equal to or greater than 100,000 inhabitants.²³ This requirement does not apply to the Metropolitan Region.
- d) One on Easter Island.
- e) Four in the Province of Santiago.

Once a year, the Administrator must review and adjust its coverage of CRPs and CAAs, within the first 90 days of each calendar year, in accordance with the parameters listed above.

The Collection and Payment Centers and Member Service Centers may be installed in the same physical space.

iii. Other Requirements

²³ For the initial year of operations, the data used corresponds to "*Chile: Estimaciones de Población por Sexo, Regiones, Provincias, Comunas 1990-2005*," of the National Statistical Institute (INE). For all subsequent years, the data shall correspond to the latest edition of (or update to) the INE publication that provides a population estimate by sex, region, province and municipality, or the publication replacing it.

In addition, the Administrator must meet the following requirements:

- a) The installation of a nationwide free call center for users, capable of providing information on the service and answering the questions submitted by users. This center must have a minimum capacity of 30,000 minutes per month during its first year of operation. From the second year on, it must increase this capacity by 1 minute per month for each 25 new members.
- b) The creation of a website with information on the System, including interactive information (benefit simulations) for users and member access to information on their Individual Unemployment Accounts.
- c) CAAs and OMILs which provide free brochures with information on the Unemployment Insurance.
- d) A maximum of 4 free certificates for members each year, which may correspond to one or more of the following:
 - Certificate of Individual Unemployment Account Balance.
 - Certificate of Individual Unemployment Account Movements.
 - Certificate of Periods Without Contributions.
 - Certificate of Contributions Paid by Employer.

After the maximum number of certificates has been reached, the Administrator may charge no more than 0.02 UF for each certificate. The Administrator may also charge for any requests for a certificate not described in Letter d).

Notwithstanding, the certification of all unemployment benefits established in Law No. 19,728 must always remain free of charge, and certificates delivered through the website must be free and unlimited for all members.

The conditions under which these certificates may be demanded by members are established by the Superintendence of Pensions through a general ruling.

2.2 Financial Information on the Administrator

2.2.1 Balance

As of June 2009, the total assets of the Unemployment Fund Administrator AFCChile S.A. were CLP 4,634,694,000 (USD 8,760,000),²⁴ consisting of 45.3% of current assets; 11.4% of fixed assets and 43.4% of other assets.

Among the current assets, the most relevant entry is negotiable securities, which were worth CLP 1,048,956,000 (USD 1,983,000), equivalent to 50% of the total in this field. As of June 30, 2009, negotiable securities include mutual fund shares, appraised at the redemption value of the share at the end of the fiscal year.

Other assets, which represent 43.4% of total assets, consist entirely of deferred taxes. The Administrator does not possess investments in other companies and does not maintain balances for this concept.

On the other hand, it must be noted that, as of December 2008, total assets observed a real increase of 2.2% over December of the previous year and 64% over December 2003.²⁵ This has led to an average annual increase of 10.7% for the aforementioned period. Between 2003 and 2008, current assets and other assets had a real increase of 79.9% and 277.4%, respectively, equivalent to an average annual increase of 12.7% and 33.4%, respectively. Meanwhile, during the same period, the fixed assets decreased in real value by 54.9%.

As of June 30, 2009, total liabilities were CLP 4,634,694,000 (USD 8,760,000). 68.7% of this value corresponds to net worth, while current liabilities represent 30.3% and long-term liabilities represent 1%.

Among liabilities, the most relevant field is net worth, which consists of a paid capital of CLP 13,749,096,000 (USD 25,987,000), capital revaluation reserve of CLP -316,229,000 (USD -598,000) and retained losses of CLP 10,248,131,000 (USD 19,370,000), which makes up a net worth of CLP 3,184,736,000 (USD 6,019,000).

Current liabilities consist of unpaid provisions, documents and accounts of related companies, unpaid accounts, and unpaid services, among others.

²⁴ The figures of this balance consider the observed value of the U.S. dollar as of June 30, 2009 (1 U.S. dollar = 529.07 Chilean pesos).

²⁵ For purposes of comparisons in time, the full fiscal years are considered.

Meanwhile, long-term liabilities consist solely of unpaid documents and accounts of related companies.

In regards to the evolution of total liabilities, as of December 2008 the net worth observed a real increase of 9.2% over December of the previous year, and 62.1% over December 2003, which is equal to an average annual increase of 10.5%. This may be explained primarily by a real increase in paid capital and retained losses of 267% and 389%, respectively; this is equal to an average annual increase of 25.6% and 34.6%, respectively.

Box II.1
Evolution of the balance of AFCChile S.A.
(As of December of each year)¹

	2003	2004	2005	2006	2007	2008	2009
Assets							
Current assets	41.2%	35.8%	37.3%	36.3%	40.7%	45.0%	45.3%
Fixed Assets	39.5%	34.6%	27.2%	22.3%	15.7%	10.8%	11.4%
Other Assets	19.3%	29.6%	35.4%	41.4%	43.6%	44.1%	43.4%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities							
Current liabilities	12.4%	15.2%	23.7%	31.5%	31.5%	27.7%	30.3%
Long-term Liabilities	16.7%	10.8%	6.7%	5.1%	3.2%	2.5%	1.0%
Net worth	71.0%	74.0%	69.6%	63.3%	65.4%	69.9%	68.7%
Total Liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) 2009 includes results as of June 30.

Source: Created by Superintendence of Pensions, based on Financial Statements of AFCCHILE S.A.

2.2.2 Results

Box II.2 presents the evolution of income and expenses of AFCCHILE during the first six years of operation of the Insurance.

Between January and December 2008, AFCCHILE observed profits of CLP 221 million (USD 418,000), reversing the negative results obtained during previous fiscal years. This means that during previous years, the company was financed

exclusively with its own capital. During the first semester of 2009, profits for the period were CLP 8 million (USD 15,000).

In the period between 2006 and 2008, losses decreased progressively, which may be explained primarily by a significant increase in operating income, which consists almost entirely of income from fees.

It is important to point out that the operating income between 2003 and 2008 observed an annual average increase of 94% in real terms, reaching a value of CLP 5,286,738,000 (USD 9,993,000) during the last year.

On the other hand, during 2008 AFCCHILE had a total of CLP 5,001,584,000 (USD 9,454,000) in operating expenses, which between 2003 and 2008 observed an average annual increase of 16% in real terms. Although it is true that the company has increased its operating expenses during the period analyzed, some years this growth has observed decreasing rates in real terms (from 2003 to 2006).

Box II.2
Composition of income and expenses of AFCCHILE S.A.
(As of December of each year 1 – In thousands of Chilean pesos of June 2009)

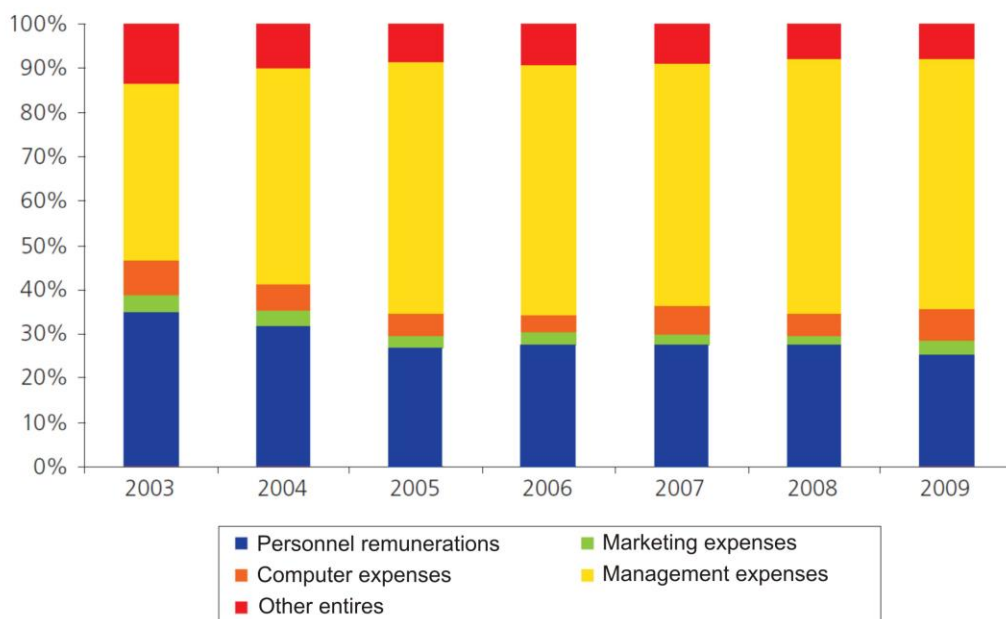
	2003	2004	2005	2006	2007	2008	2009
Operating income	220.766	631.381	1.249.409	2.021.854	3.464.910	5.286.738	3.020.617
Income from commissions	158.893	631.381	1.249.408	2.021.854	3.464.910	5.286.738	3.020.419
Other operating income	61.873	0	1	0	0	0	198
Operating expenses	-2.494.465	-3.361.241	-4.134.989	-4.249.285	-4.637.594	-5.001.584	-3.049.520
Personnel remunerations	-870.356	-1.067.986	-1.103.570	-1.170.692	-1.281.871	-1.363.468	-770.524
Marketing expenses	-94.834	-114.039	-123.062	-114.046	-113.956	-128.705	-107.649
Computer expenses	-202.110	-207.048	-198.953	-177.911	-285.685	-243.887	-209.607
Management expenses	-995.044	-1.640.561	-2.359.542	-2.391.075	-2.549.289	-2.873.355	-1.748.588
Depreciation during the period	-261.292	-260.290	-298.103	-331.192	-343.347	-324.939	-153.890
Other operating expenses	-70.828	-71.316	-51.760	-64.370	-63.446	-67.230	-59.262
Operating profit (Loss)	-2.273.698	-2.729.860	-2.885.580	-2.227.431	-1.172.684	285.154	-28.903
Non-operating profit (Loss)	60.114	-52.114	-36.671	-173.611	-22.651	-171.547	21.753
Result before income tax	-2.213.585	-2.781.974	-2.922.251	-2.401.042	-1.195.335	113.608	-7.150
Income tax (minus)	376.281	464.917	427.140	353.708	203.457	107.454	15.000
Profit (Loss) during period	-1.837.303	-2.317.056	-2.495.111	-2.047.335	-991.878	221.062	7.850

(1) In 2009, results presented are as of June 30.

Source: Created by Superintendence of Pensions, based on Financial Statements of AFCCHILE S.A.

Graph II.1 shows the composition of expenses as a percentage. As may be observed, between 2003 and 2009, management expenses and remunerations were the most important entries. In June 2009, these fields were 25.3% and 57.3% of operating expenses, respectively.

Graph II.1
Percentage composition of AFCCHILE S.A. operating expenses
 (As of December of each year)¹



(1) 2009 includes results until June 30.

Source: Created by Superintendence of Pensions, based on Financial Statements of AFCCHILE S.A.

2.2.3 Main Financial Indexes

We hereby present the main financial indexes that represent the situation of AFCChile, which were obtained through the company's Financial Statements as of December of each year and June 2009.

Debt: in June 2009, the Administrator had a debt-equity ratio of 0.46, which, as has been pointed out previously, indicates that the company has been financed mainly with its own capital. In terms of the composition of its debt, as of that date 97% corresponded to short-term debt, while the remaining 3% was long-term debt. During the 2003-2009 period, this index fluctuated between 0.35 and 0.58.

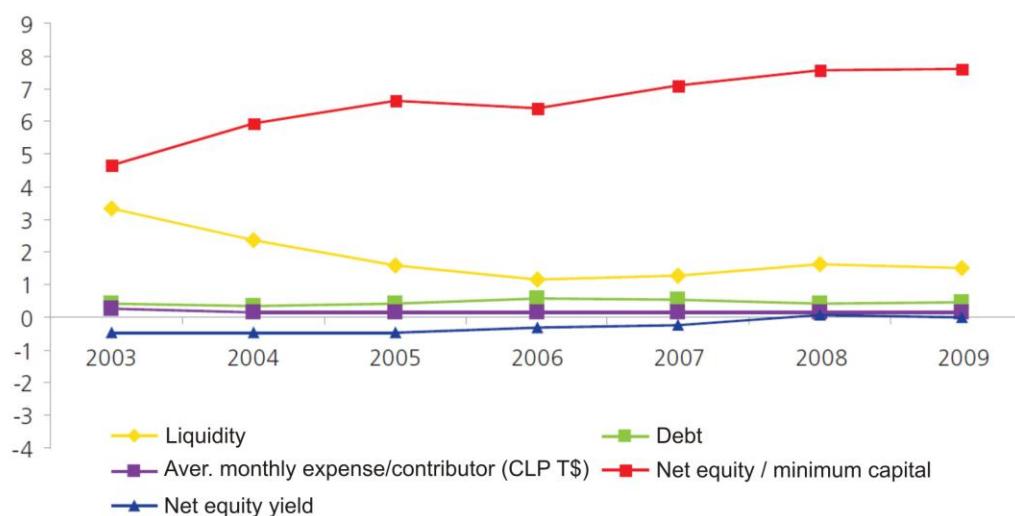
Liquidity: the liquidity index, measured as the ratio between current assets and current liabilities, was 1.5 in June 2009 and 3.34 in December 2003.

Net equity: in 2009 and 2003, the proportions between net equity and minimum capital were 7.61 and 4.67, respectively.

Average monthly expense per contributing worker: upon analyzing the performance of the operating result, compared to the number of contributors of the Insurance, in 2003 the average monthly operating expense per contributor was CLP 312 (in Chilean pesos as of June 2009), whereas in 2009 it was CLP 170 (in Chilean pesos as of June 2009), which represents a real reduction of 46%.

Yield: between 2003 and 2007, the real yield of the net worth was negative and fluctuated between -60% and -27%, however, during the 2008 fiscal year this trend was reversed and the Administrator had a yield of 7% in real terms. During the first semester of 2009, the yield was 0.2% in real terms.

Graph II.2
Evolution of financial indexes that reflect the situation of AFCCHILE S.A.
(As of December of each year)¹



(1) 2009 includes results until June 30.

Source: Created by Superintendence of Pensions, based on Financial Statements of AFCCHILE S.A.

Finally, and with respect to the future trends for results, the Administrator estimates that its losses shall continue decreasing and its profits shall increase in the upcoming years, as a result of the sustained and significant increase of the

balances held in Individual Accounts. This shall produce more income for the company from commissions charged for the management of balances. However, it is foreseen that the Administrator must continue being financed with periodical capital contributions until its positive cash flow increases.²⁶

²⁶ 2008 Annual Report, Unemployment Fund Administrator of Chile S.A.

Chapter III

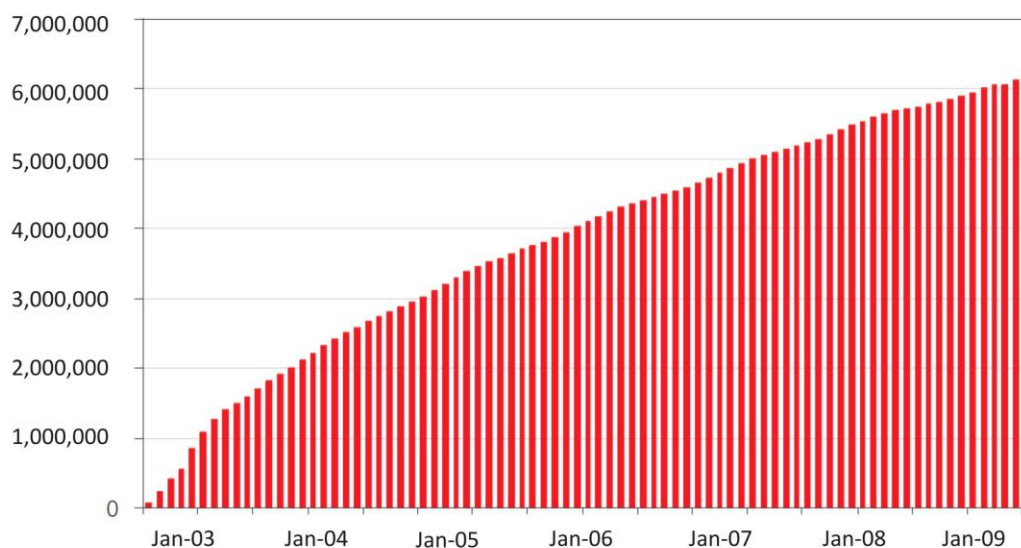
Main Results

This chapter shows the main output of the Unemployment Insurance system from its creation to June 2009.

3.1 System Coverage

From October 2002 to date, an increasing number of workers have joined the Insurance. This massive growth of the system is attributable to the mandatory nature of membership for those who began their labor relationships after October 2002 and the constant rotation of the workforce. In June 2009, the number of members was 6,165,488 workers, whereas there were only 5,683,430 in the same month during the previous year. The average annual rate of growth in membership from 2003 to 2009 was 28.5%; however, this rate has decreased progressively as the Insurance advances in this transitional process.

Graph III.1
Number of Unemployment Insurance members



Source: Superintendence of Pensions

In regards to the type of membership, most new members joining the system do so under the mandatory mode. Voluntary membership has historically been low, only 2.2% of all members, and has remained relatively stable since the creation of the Insurance. Currently, the only group of workers who have not joined the System, and who could do so voluntarily, are those who have jobs which date back to before October 2002, that is, those with high job stability (they have been in a labor relationship for over 7 years). For this reason, they could presumably have other mechanisms or sources of income protection in case of unemployment which have resulted in their failure to use the voluntary membership option. On the other hand, it is also possible that this failure to seek membership may be caused by a lack of knowledge about the system or low expectations of becoming unemployed.

The workers who have joined the Unemployment Insurance have been affiliated for an average of 51 months²⁷ and have a contribution density—measured as the number of months with contributions over the total number of months as a member—of 57%.

²⁷ Considering dates of membership until June 2009.

Box III.1
Percentage of Unemployment Insurance members by contribution density

Number of months of membership	Members %	Contribution density %
01-12	8.5%	60.9%
13-24	10.7%	52.2%
25-36	11.0%	54.1%
37-48	12.2%	53.7%
49-60	13.9%	54.6%
61-72	17.8%	55.8%
More than 73	25.9%	59.2%
Total	100.0%	56.6%

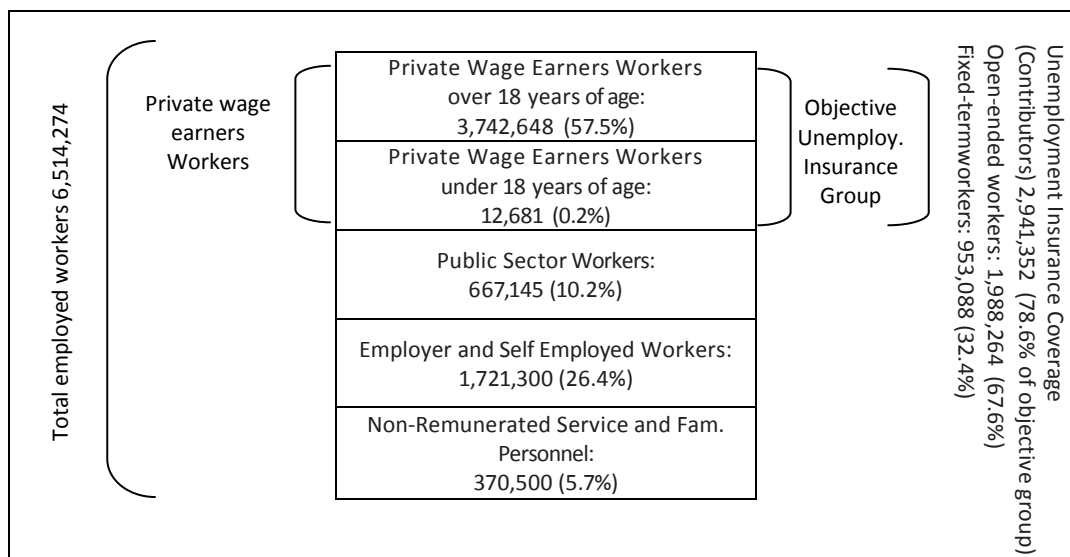
Source: Superintendence of Pensions.

As of June 2009, there were 2,941,352 contributors to the Insurance. The objective group of the Insurance, private wage earners workers over the age of 18, registered in the April-June rolling quarter a total of 3,742,648 workers.²⁸ Therefore, the coverage of the system in June 2009, measured as the relationship between the number of contributors and the number of private wage earners workers, was 78.6%. In April 2003, this figure was 23.5%.

The following figure shows the total number of employed workers in the country during the April-June 2009 rolling quarter by occupation, highlighting which is the objective Unemployment Insurance group and what the system's coverage was.

²⁸ According to figures reported by the National Statistics institute. For purposes of comparison, we shall use the last month of the rolling quarter.

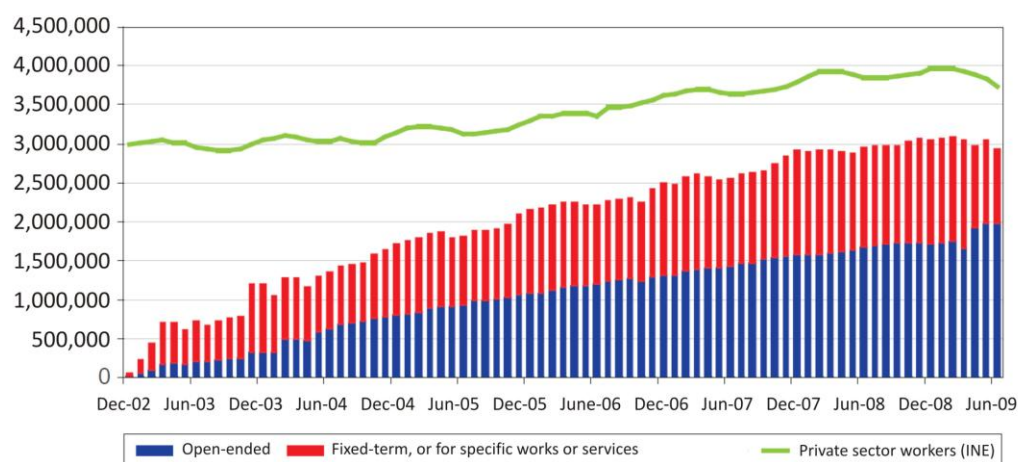
Figure III.1
Unemployment Insurance Coverage: April-May-June 2009



Source: Superintendence of Pensions based on information from National Statistics Institute and Superintendence of Pensions.

In terms of the composition of contributors by type of contract, it is possible to point out that, in June 2009, workers with open-ended contracts represented 67.6% of all workers, whereas in June 2008 and 2003 they were 57.2% and 29.9%, respectively. In the initial period of the Insurance, and due to a greater rotation, the relative importance of workers with fixed-term or specific works/services contracts, was greater than the participation of contributors with open-ended contracts. However, this trend was reversed beginning in 2005. Since having been re-hired, many temporary workers have automatically joined the System.

Graph III.2
Contributors by type of contract



Source: Superintendence of Pensions

In terms of the composition of contributors by gender, in June 2009 women represented 34.7% of all workers, whereas in June 2008 and 2003 women were 33.6% and 26.4%, respectively. Thus, as the system's transitional phase advances, the proportion of women shall approach the percentage they represent in the Unemployment Insurance target group of the labor market.

As expected, in terms of the distribution of contributors by region, the figures for June 2009 show that the regions with the greatest number of contributors to Unemployment Insurance are the Metropolitan Region (39.1%), Bío Bío (9.5%), and Valparaíso (8.3%). This parallels the percentages of employed workers in the country, a situation which has remained the same throughout the entire period in which the Insurance has been implemented.

Box III.2
Percentage of contributors by region
 (As of December of each year)¹

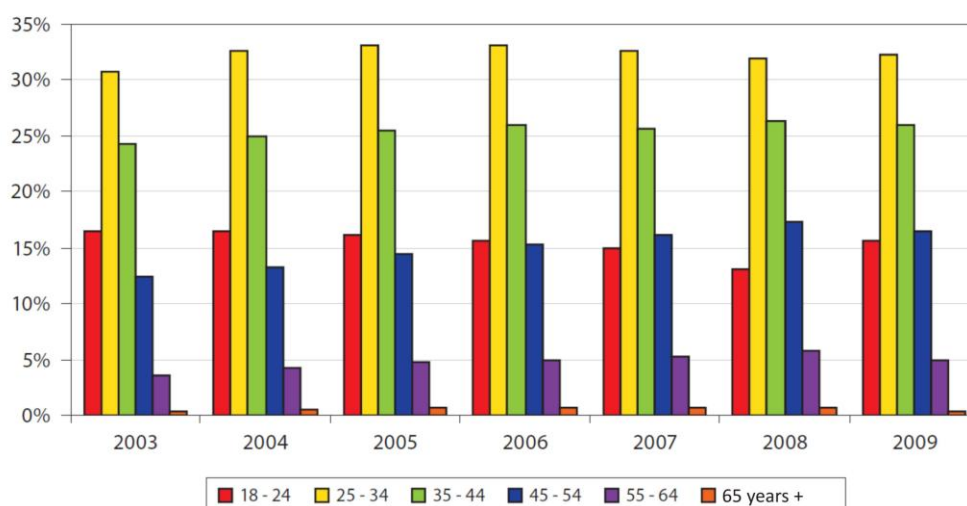
Region	2003	2004	2005	2006	2007	2008	2009
I	2.4%	2.6%	2.7%	2.6%	2.6%	2.4%	2.5%
II	3.5%	3.7%	3.6%	3.6%	3.5%	3.3%	3.5%
III	2.0%	2.0%	2.0%	1.9%	1.8%	1.7%	1.7%
IV	3.5%	3.6%	3.6%	3.6%	3.5%	3.2%	3.3%
V	8.2%	8.8%	8.9%	8.8%	8.8%	8.3%	8.3%
VI	6.5%	6.4%	6.0%	5.8%	5.6%	5.3%	4.9%
VII	5.5%	5.1%	5.5%	5.5%	5.5%	5.1%	4.8%
VIII	9.4%	9.8%	10.1%	10.1%	9.9%	9.4%	9.5%
IX	3.5%	3.6%	3.7%	3.7%	3.8%	3.5%	3.4%
X	5.5%	5.7%	5.9%	6.1%	6.0%	5.6%	5.5%
XI	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%
XII	1.1%	1.2%	1.1%	1.1%	1.0%	1.0%	1.0%
R.M.	34.1%	38.5%	40.2%	41.2%	42.2%	39.2%	39.1%
No data	14.1%	8.4%	6.1%	5.3%	5.2%	11.5%	12.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) 2009 presents results until June.

Source: Superintendence of Pensions

As of June 2009, the distribution of contributors by age shows a greater concentration in the group between 25 to 34 and 35 to 44 years of age, which were 32.3% and 26.1% of all contributors, respectively. Around 70% of workers contributing to Unemployment Insurance were under the age of 45. These values have remained similar over time with slight variations, as shown in the following graph.

Graph III.3
Contributors by age range
 (As of December of each year)¹



(1) 2009 presents results until June.
 Source: Superintendence of Pensions

In terms of the covered earnings of contributors, it is worth mentioning that in June 2009, there was an average covered earnings of CLP 402,890, which represents an average increase of 47.2% in real terms over June 2003. This covered earnings varies by type of contract and gender. In effect, during June 2009, workers with open-ended contracts registered a monthly wage of CLP 461,517, unlike contributors with fixed-term contracts, who received an average income of CLP 280,585. Meanwhile, the wages for women were inferior to those of men by approximately 18%. In terms of the distribution of contributors by covered earnings segments, in June 2009 57% of contributors presented a covered earnings of less than CLP 300,000.

Box III.3
Covered earnings by type of contract and gender¹
(In December of each year²)

Years	Open-ended contract			Fixed-term contract			Total
	Men	Women	Total	Men	Women	Total	
2003	396,904	367,128	354,527	262,490	196,774	239,135	273,625
2004	376,628	324,916	354,382	269,076	214,070	250,028	298,187
2005	402,123	341,126	376,724	286,894	228,019	265,961	323,520
2006	424,969	356,696	397,904	300,483	235,631	277,885	343,313
2007	446,999	368,570	417,589	308,708	241,627	284,939	359,133
2008	456,294	373,856	421,003	315,524	246,855	288,909	364,514
2009	494,905	415,047	461,517	306,811	234,766	280,585	402,890

(1) In Chilean pesos as of June 2009.

(2) 2009 presents results until June.

Source: Superintendence of Pensions

The observed increase of the covered earnings in real terms is expected, since it reflects the system's transition, where as workers with more stable labor histories join the system, the average wages of the entire group begin to increase.

In terms of the economic sectors to which system contributors belong, as of June 2009 we may observe a greater participation of workers in wholesale and retail commerce, restaurants, coffeeshops and other facilities that sell food or drinks (20.4%); finances, insurance, real estate and technical, professional and other services (18.5%), and government, social, personal and international services (15.1%). These have been the most relevant sectors from 2005 to 2009.

Box III.4
Contributors by branch of economic activity
(As of December of each year)¹

Branch	2003	2004	2005	2006	2007	2008	2009
Agriculture, agricultural services, hunting, forestry and fishing	15.9%	13.4%	12.6%	11.3%	11.7%	7.5%	5.1%
Mining, oil and quarries	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	1.5%
Manufacturing industries	7.6%	7.7%	7.0%	6.6%	5.9%	5.2%	10.6%
Electricity, gas and water	0.2%	0.3%	0.3%	0.2%	0.2%	0.1%	0.5%
Construction	15.5%	15.5%	14.3%	12.2%	10.6%	10.4%	12.1%
Retail and wholesale commerce, restaurants, coffeeshops and other facilities that sell food and drinks	17.1%	19.1%	18.2%	18.1%	16.7%	15.1%	20.1%
Transportation, storage and communications	6.2%	6.9%	6.9%	6.4%	5.9%	5.5%	7.7%
Finances, insurance, real estate and technical, professional and other services	15.1%	17.9%	18.6%	22.0%	22.5%	18.5%	18.0%
Government, social, personal and international services	11.4%	16.6%	19.1%	21.1%	21.9%	23.2%	15.9%
No data	10.5%	1.9%	2.2%	1.6%	3.9%	13.9%	8.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) 2009 includes results until June.

Source: Superintendence of Pensions

Another interesting aspect is the analysis of System contributors and their potential rights in the event of unemployment. The following graphs show the contributors as of December of each year and the benefits which they could be entitled to if they become unemployed. For contributors in June 2009, the potential rights were established considering the new conditions of access as of May 2009.

Graph III.4
Potential rights of contributors
 (As of December of each year)¹



(1) 2009 includes figures until June.

Source: Superintendence of Pensions

It may be observed, on the one hand, that the potential rights to Solidarity Unemployment Fund for workers with open-ended contracts are increasing, which is expected due to the system's transitional phase, where members accumulate a greater number of contributions as time goes by. It is interesting to observe that for this group, during the post-reform period of Unemployment Insurance, that is, for the information presented for 2009, the potential rights of

this group to the Solidarity Unemployment Fund increased significantly, reaching 54% of June contributors. Similarly, it may be observed that in the case of workers with fixed-term or specific works/services contracts, who until May 2009 only had the right to Individual Unemployment Accounts benefits, during the post-reform period at least 20% of June 2009 contributors had potential access to the benefits of the Solidarity Unemployment Fund, while those with no rights to any services have decreased steadily.

A relevant piece of information in the administrative registries of the Unemployment Insurance has to do with the duration of labor relationships and interruptions to the contributions registered in the system. The following graphs show these statistics.

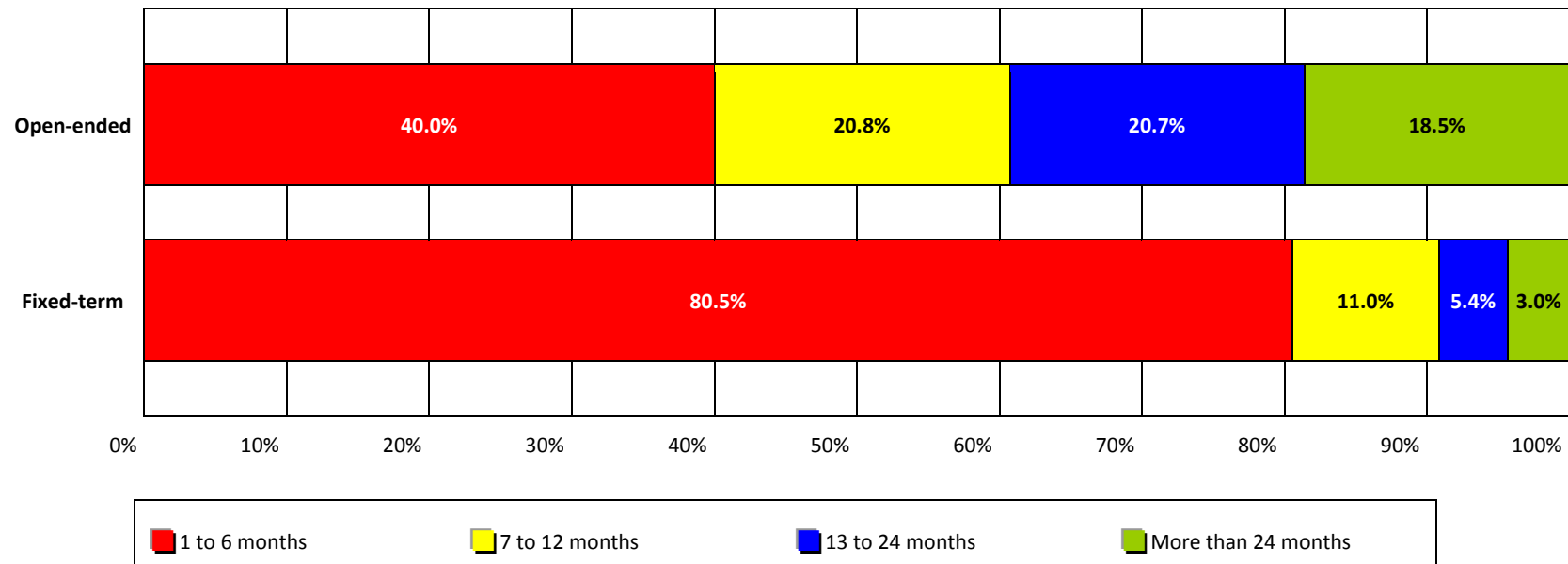
It may be observed that among labor relationships terminated in the 2006-2008 period, among workers with open-ended contracts, 40% of these had a labor spell between 1 and 6 months, while fixed-term workers, or workers with specific works/services contracts, this percentage was 80.5%. Similarly, for workers with open-ended contracts, it is interesting to observe that 39.2% of their labor relationships terminated during this period had a duration of more than one year.²⁹

On the other hand, in terms of the duration of the interruptions to contributions after a labor relationship was terminated between 2006 and 2008, 60.5% of workers with open-ended contracts who terminated a labor relationship during this period, registered a contribution immediately after the termination or within the following 3 months, whereas this percentage was 62.8% in the case of workers with fixed-term or specific works/services contracts.

²⁹ In order to calculate the duration of labor relationships, we considered the totality of the labor relationships that were terminated during the period of analysis and we counted the number of months with contributions presented by the employer with whom the work relationship was terminated. The work relationship is considered terminated when no further contributions are reported to the employer or if a work relationship has a period with no contributions for more than 2 months. In terms of the duration of these interruptions to contributions, we considered the total number of months in which there were no contributions by any employer, after a termination has been observed. This is counted for each of the terminated relationships. On the other hand, it is important to mention that the category "does not find again" refers to all Unemployment Insurance members who presented a termination of work relationship and did not present a new contribution, regardless of the date on which the termination began; in other words, this group includes those who may have periods of 3 months as well as 3 years and have not registered any further contributions.

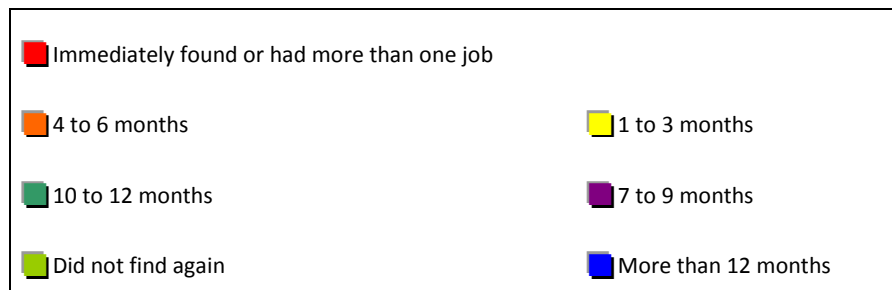
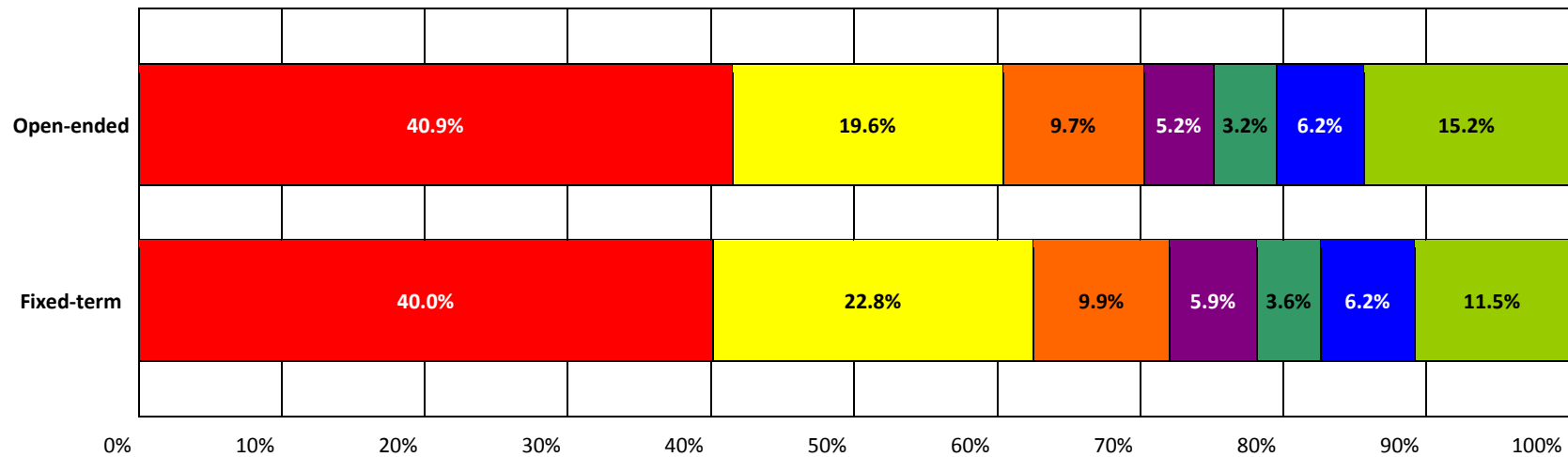
As may be deduced from the above paragraph, the duration of labor relationships differs significantly depending on the worker's type of contract, and as may be expected, due to the nature of their contracts these are shorter among workers with fixed-term or specific works/services contracts. However, on the other hand, the distribution of the duration of interruptions to contributions is similar for both types of contracts, and is somewhat shorter among those with open-ended contracts.

Graph III.5
Duration of the labor relationships terminated from 2006 to 2008



Source: Superintendence of Pensions

Graph III.6
Duration of the interruptions to contributions after termination of a labor relationship from 2006 to 2008



Source: Superintendence of Pension

3.2 System Benefits

3.2.1 Number of Beneficiaries

The total number of benefits granted by the Unemployment Insurance since its creation to June 2009 was 4,430,173, while 72.8% of these benefits were destined to workers with fixed-term or specific works/services contracts. Among the remaining group of beneficiaries, that is, those with open-ended contracts, 77.8% were not entitled to the Solidarity Unemployment Fund. Finally, only 55.5% of those who are entitled to this Fund chose this financing. The following Table shows the aforementioned distribution by year and stock accumulated as of June 2009.

It must be observed that fixed-term contracts workers had access to the Solidarity Unemployment Fund only since May 2009, which explains that the above Table does not include them as beneficiaries of this Fund.

It is interesting to analyze some observations in the following Table. First, it is surprising that around 20% to 23% of the benefits granted to workers with open-ended contracts fulfilled the requirements for to the Solidarity Unemployment Fund. An analysis of the reasons why workers did not qualify for this benefit reveals that of the total number of benefits for workers with open-ended contracts, 62% did not meet the necessary number of contributions. Similarly, 66% did not meet the requirements for termination causes due to “company needs” or “*force majeure*.” Of the group analyzed, 33% did not meet either of these two conditions. It must be observed that until May 2009, the requirement for obtaining access to the Solidarity Unemployment Fund, in terms of the number of contributions, was 12 consecutive contributions to this Fund. Clearly, given the current mobility within the Chilean labor market, this condition for eligibility was highly restrictive, which is reflected in the low percentage of this group of workers who were entitled to use this Fund.

Second, we may observe that 44.5% of the benefits of workers with open-ended contracts who, although entitled to use the Solidarity Unemployment Fund, preferred not to do so. It must also be noted that this situation has been reversed since 2008. In exploring the causes of this behavior, we may observe some interesting facts.

The following Table shows the distribution of the number of months from the claim of the benefit to a new contribution was registered on the System. There is an important difference between workers who, although entitled to the benefits of the Solidarity Unemployment Fund, chose and did not choose to use this Fund.

While 56% of those who did not choose to use the Fund registered contributions during the same month or the two subsequent months after the termination of the work relationship, this percentage fell to 26% for the group who decided to claim this benefit. Similarly, the percentage that had registered no contributions since the claim of the benefit is greater among those who chose to claim the Solidarity Unemployment Fund.

Box III.5
Benefits of Unemployment Insurance by type of contract and year of claim¹

Type of contract and type of service	2003		2004		2005		2006		2007		2008		2009		TOTAL	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Open-ended contract	1.171	1.1%	52.058	11.8%	133.295	20.7%	210.156	26.0%	266.842	30.5%	326.906	34.4%	213.625	35.6%	1.204.053	27.2%
Not entitled to FCS (receives CIC)	1.039	88.7%	41.445	79.6%	103.579	77.7%	160.572	76.4%	205.366	77.0%	259.946	79.5%	165.124	77.3%	937.071	77.8%
Entitled to FCS	132	11.3%	10.613	20.4%	29.716	22.3%	49.584	23.6%	61.476	23.0%	66.960	20.5%	48.501	22.7%	266.982	22.2%
Chose FCS	102	77.3%	7.220	68.0%	16.694	56.2%	25.324	51.1%	28.167	45.8%	39.261	58.6%	31.354	64.6%	148.122	55.5%
Did not choose FCS	30	22.7%	3.393	32.0%	13.022	43.8%	24.260	48.9%	33.309	54.2%	27.699	41.4%	17.147	35.4%	118.860	44.5%
Fixed-term contracts	109.456	98.9%	390.987	88.2%	510.027	79.3%	598.865	74.0%	606.889	69.5%	624.103	65.6%	385.793	64.4%	3.226.120	72.8%
Total	110.627	100.0%	443.045	100.0%	643.322	100.0%	809.021	100.0%	873.731	100.0%	951.009	100.0%	599.418	100.0%	4.430.173	100.0%

(1) 2009 includes results until June.
Source: Superintendence of Pensions

Box III.6**Distribution of benefits granted to workers with open-ended contracts and entitled to FCS, by number of months in which a new contribution was made(October 2002-June 2009)**

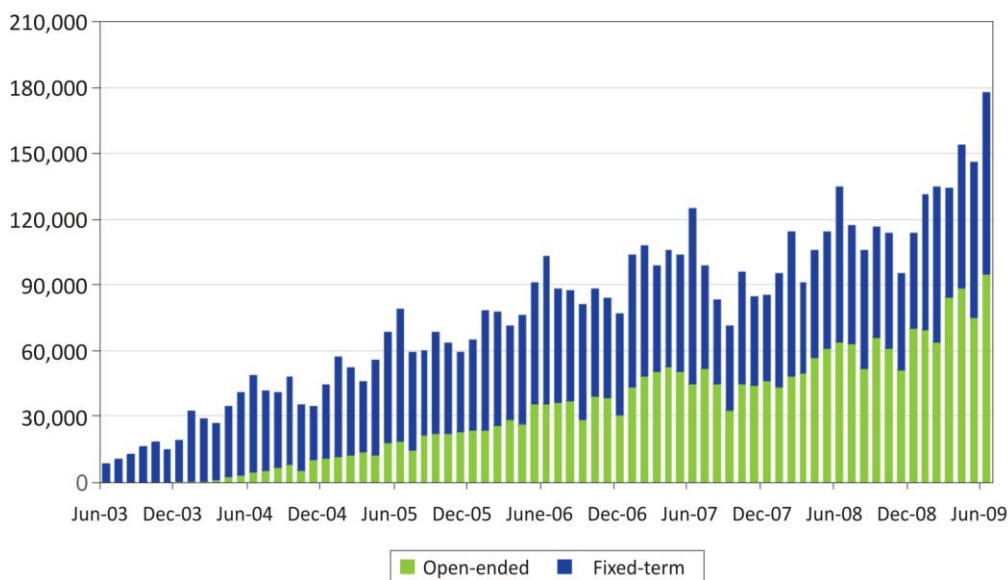
Month of new contribution	Chose FCS	Did not choose FCS	Total
Same month in which benefit is claimed	9.8%	25.5%	16.6%
First month	8.9%	20.4%	14.0%
Second month	7.2%	10.1%	8.4%
Third to fifth month	19.6%	16.3%	18.1%
After fifth month	26.4%	14.7%	21.3%
No contributions to date	28.2%	13.1%	21.6%

Source: Superintendence of Pensions

The above may be considered an argument in favor to propose that workers who do not choose to use the Solidarity Unemployment Fund, in spite of having better replacement rates and for a longer period of time, may be doing so as a rational decision under the expectation of finding a new job. In other words, those who expected to find a new job in a shorter period of time preferred not to use this benefit. This is also consistent with the observation that the percentage of individuals who choose the Solidarity Unemployment Fund increased during the international financial crisis that occurred in the last months of 2008 and throughout 2009. Box III.5 of this chapter shows that the percentage of beneficiaries who chose the Solidarity Unemployment Fund increased from 58.6% to 64.6% from 2008 to 2009.

In terms of the number of monthly benefits paid by the Unemployment Insurance, the following graph shows the evolution of these according to the worker's type of contract. In June 2009, 177,371 benefits were paid out.

Graph III.7
Members who received unemployment benefit payments during the month

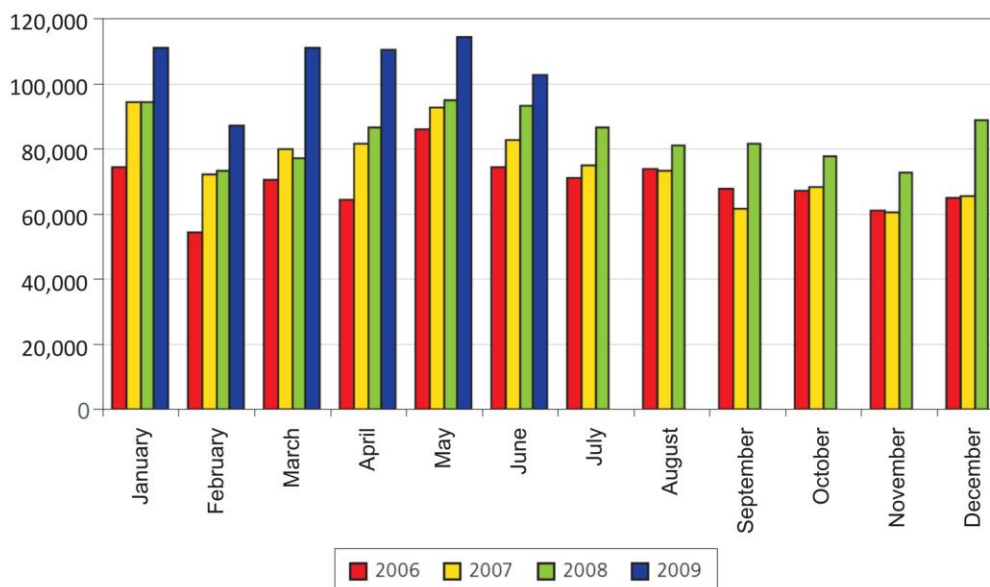


Source: Superintendence of Pensions

In terms of the evolution of new claims for Unemployment Insurance benefits, it may be observed that 102,968 were actually processed and approved during June 2009.

In comparison with previous years, the following graph shows the number of new claims from January 2005 to June 2009. During this period, the new benefits registered an annual average increase of 33.6%. This increase in approved requests is expected given the system's transitional phase, where as time goes by a greater number of workers enter the system and begin to meet the requirements to qualify for benefits.

Graph III.8
Number of monthly claims processed and approved

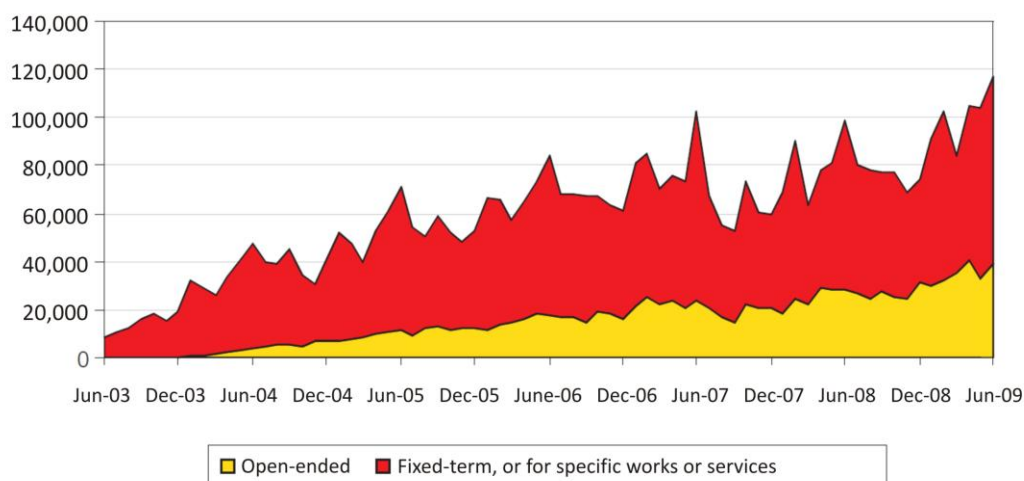


Source: Superintendence of Pensions

The above graph clearly reveals an increase in the number of claims during the world financial crisis that began in the last months of 2008, a situation which continued during the months of 2009 that were analyzed.

The evolution of monthly claims by type of contract is presented in the following graph. Of the total number of new benefits paid in June 2009, 33.5% correspond to workers with open-ended contracts (39,097), whereas in June 2005 this figure was only 15.7% (11,138).

Graph III.9
New benefits paid by type of contract



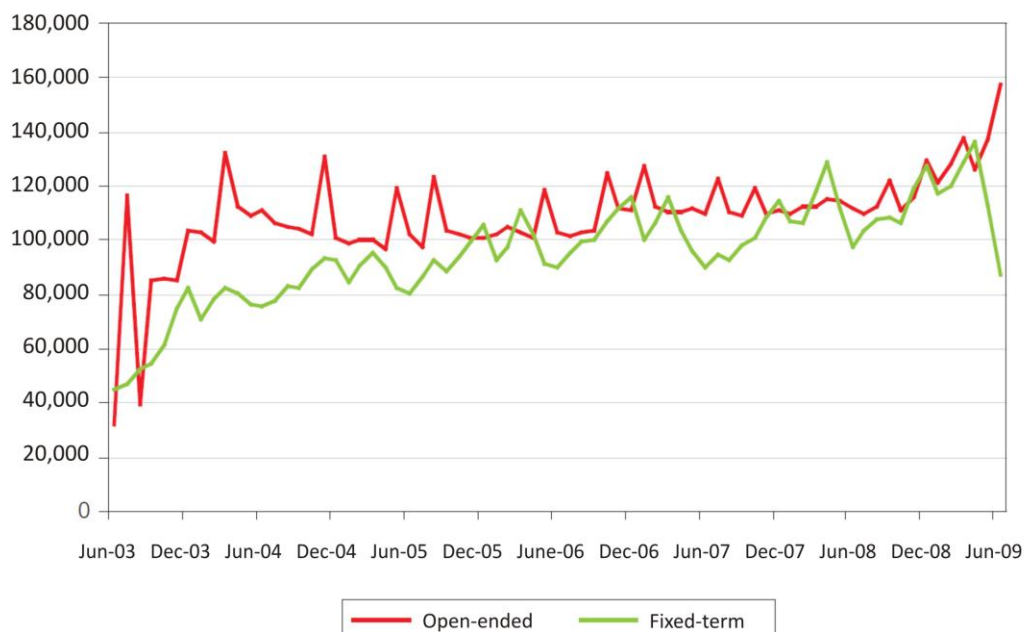
Source: Superintendence of Pensions

3.2.2 Quality of Benefits Granted

The average benefit for June 2009 was CLP 125,017, and CLP 87,013 in the case of workers who terminated their fixed-term or specific works/services contracts, and CLP 157,729 in the case of those with open-ended contracts. As observed in the following graph, the performance of the average monthly benefit, by type of contract, shows a moderately upward trend which may be explained by the evolution of the system, where the balance of Individual Unemployment Accounts is increasing due to a greater accumulation of contributions and of resources.

It must be noted that the reduction of monthly benefits observed during 2009 for workers with fixed-term or specific works/services contracts, has been affected by the legal modification that entered into effect in May 2009, which changed the payment mode for Individual Unemployment Account benefits from one month to as many months as the resources accumulated in this account are capable of financing, given the legally established replacement rates (50% for the first month, 45% for the second month, etc.).

Graph III.10
Average amount of unemployment benefit by type of contract¹
(In Chilean pesos as of June 2009)

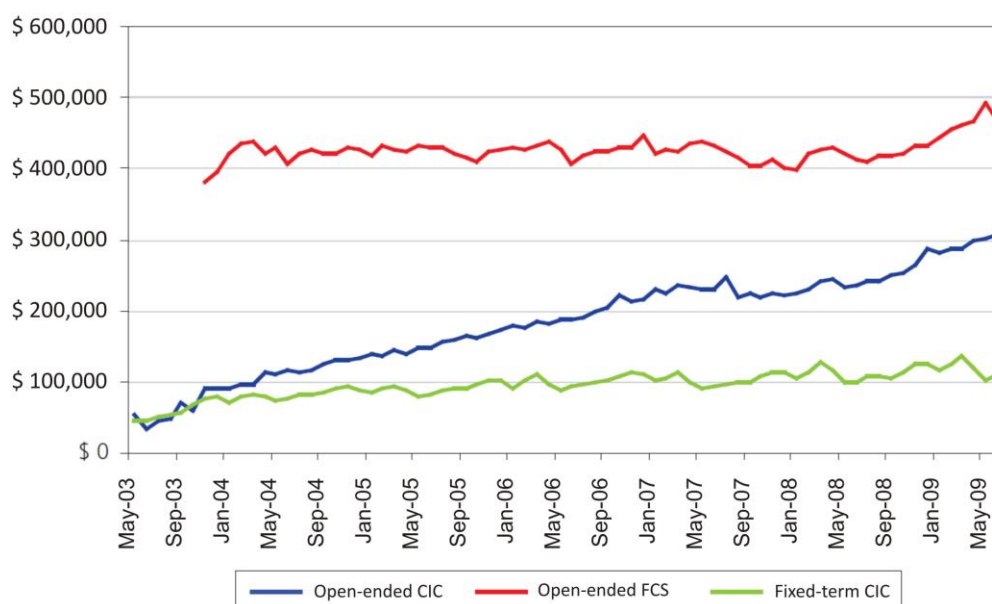


(1) Determined based on the date on which the benefit is paid

Source: Superintendence of Pensions.

Another way to analyze the quality of system benefits is by using the following graph, which shows the average total benefit (that is, of all months in which the benefit is paid) received by beneficiaries, depending on the type of contract and source of financing of the service. As observed, workers who access the Solidarity Unemployment Fund obtain benefits that are substantially greater than those who access the Individual Unemployment Account, whereas those with the lowest benefits are workers with fixed-term or specific works/services contracts.

Graph III.11
Average total Unemployment Insurance benefit, by type of contract and source of financing¹
(In Chilean pesos as of June 2009)



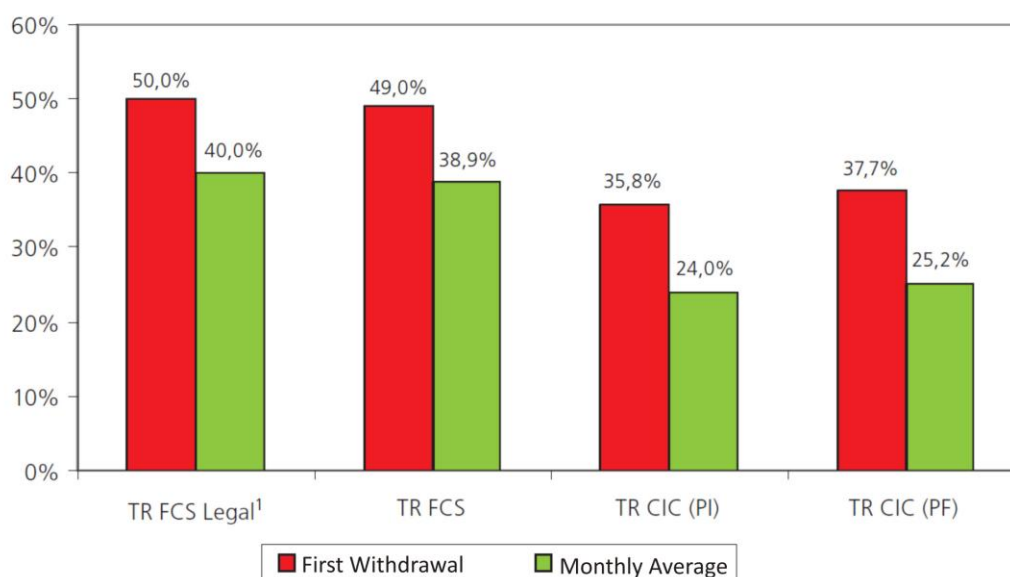
(1) Determined based on the date on which the benefit is paid
Source: Superintendence of Pensions

In regards to the replacement rates of benefits granted by the system, the following graph shows that the effective replacement rates of the Solidarity Unemployment Fund are very close to the legally established values, which means that the individuals who choose to use this Fund have wages that correspond to the values that the system seeks to target, according to the minimum and maximum values of the legal benefits. During the period analyzed, the calculation of the replacement rates of the Solidarity Unemployment Fund only includes those reported by workers with open-ended contracts, since workers with fixed-term or specific works/services contracts only began having access to this benefit with the legal changes introduced in May 2009.

On the other hand, it presents the replacement rates obtained by beneficiaries who receive benefits financed exclusively with their balances in the Individual Capitalization Accounts, separated by type of contract. Both types of contracts are presented with the replacement rate of the first month of the benefit and the average for the months during which they remain unemployed, with a

maximum of 5 months. A similar situation may be observed in the replacement rates, regardless of the type of contract.

Graph III.12
Replacement rates of beneficiaries³⁰
 (Benefits until June 2009)



(1) Corresponds to the legally established replacement rates; in other words, the first withdrawal is for 50% and all subsequent withdrawals decrease until the fifth, which is equal to 30%.

Source: Superintendence of Pensions

3.3 Net Worth of Unemployment Funds

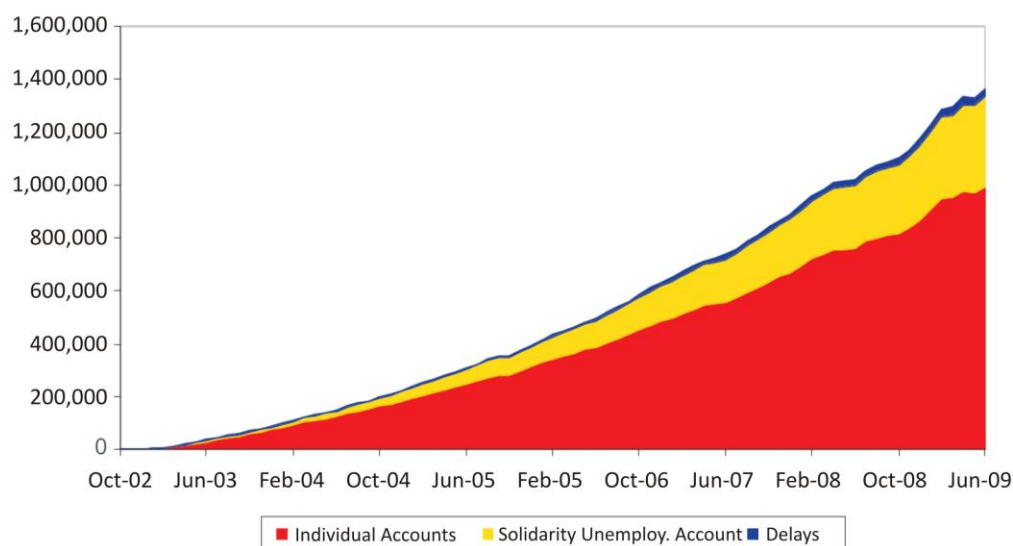
As of June 2009, the net worth of the Unemployment Funds was CLP 1.36 trillion (USD 2.57 billion),³¹ a real increase of 33.7% compared to the same month

³⁰ The replacement rate for the first month is calculated as the quotient between the actual amount of the Unemployment Insurance benefit received during the first month and the average covered earnings of the months required to obtain this benefit (12 for workers with open-ended contracts and 6 for those with fixed-term contracts or contracts for specific works or services). The average replacement rate is the quotient between the sum of all benefits received and withdrawals made and the covered earnings of the last 12 contributions, divided by the number of months during which contributions were interrupted (months without contributions from any employers) after termination of the work relationship, up to a maximum of 5 months. If there has not been an effective interruption of contributions, the denominator shall be the effective number withdrawals.

³¹ According to U.S. dollar exchange rate on June 30, 2009 (1 U.S. dollar = 529.07 Chilean pesos).

during 2008 and a real increase of 85% over June 2007. The evolution of net worth from the creation of the Unemployment Insurance is shown in the following graph.

Graph III.13
Evolution of the net worth of Unemployment Funds
(In millions of Chilean pesos as of June 2009)



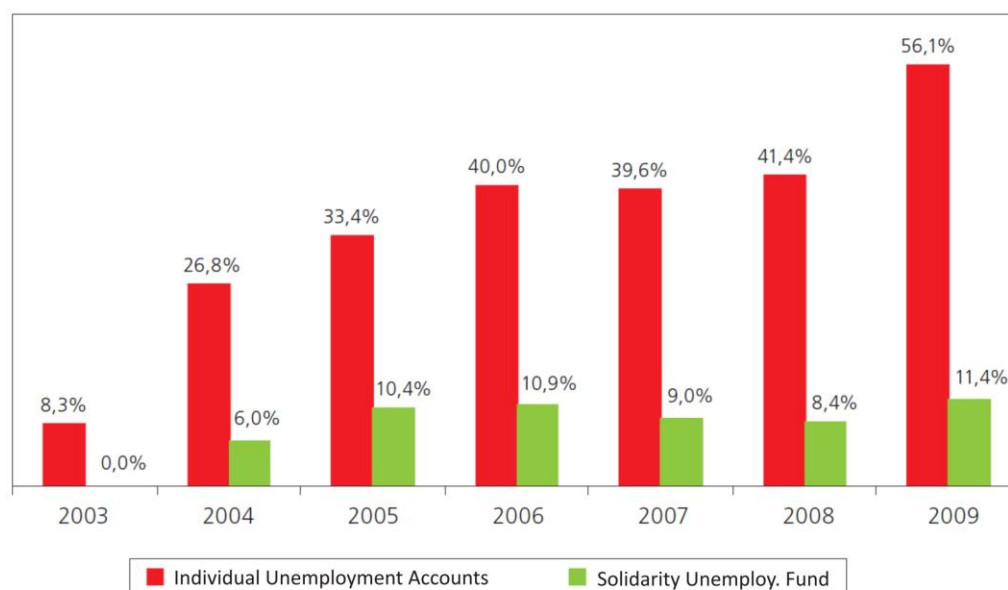
Source: Superintendence of Pensions.

In terms of its composition, as of June 2009 73% of the total balance accumulated corresponds to the net worth of the Unemployment Individual Accounts, 24.8% to the Solidarity Unemployment Fund and the remaining percentage to Delays (2.2%).³²

An analysis of the flows of the Solidarity Unemployment Fund reveals that, in the same month, the contributions were CLP 8.98 billion (USD 17 million), whereas expenses were CLP 1.3 billion (USD 2 million), which is equal to 14.5% of income. This demonstrates the high financial sustainability of this Fund. Meanwhile, in June 2009 the Unemployment Individual Accounts registered contributions for CLP 30.38 billion (USD 57 million) and expenses for CLP 18.03 billion (USD 34 million).

³² Delays correspond to income, authorized under the current regulations, which has not been attributed to Unemployment Individual Accounts.

Graph III.14
Total income/total contributions for each fund¹

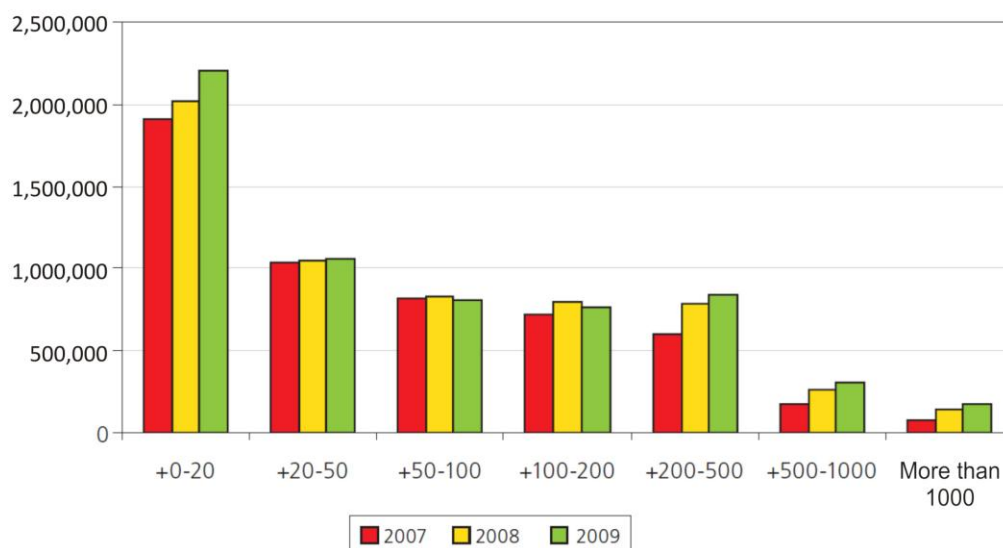


(1) 2009 includes results until June.

Source: Superintendence of Pensions

In terms of the balances accumulated by members in their Individual Unemployment Accounts, in June 2009 the average value was CLP 161,415, presenting a real variation of 20.2% over the same month during the previous year. The distribution of member's balances in their Individual Unemployment Accounts is shown in the following graph. It may be observed that the distribution of balances is highly concentrated in the lower levels, and in June 2009, 6.9% of members (425,651) had balances equal to zero.

Graph III.15
Distribution of members by balance accumulated (T\$) in Individual Accounts
 (As of December of each year)¹



(1) 2009 includes results until June.

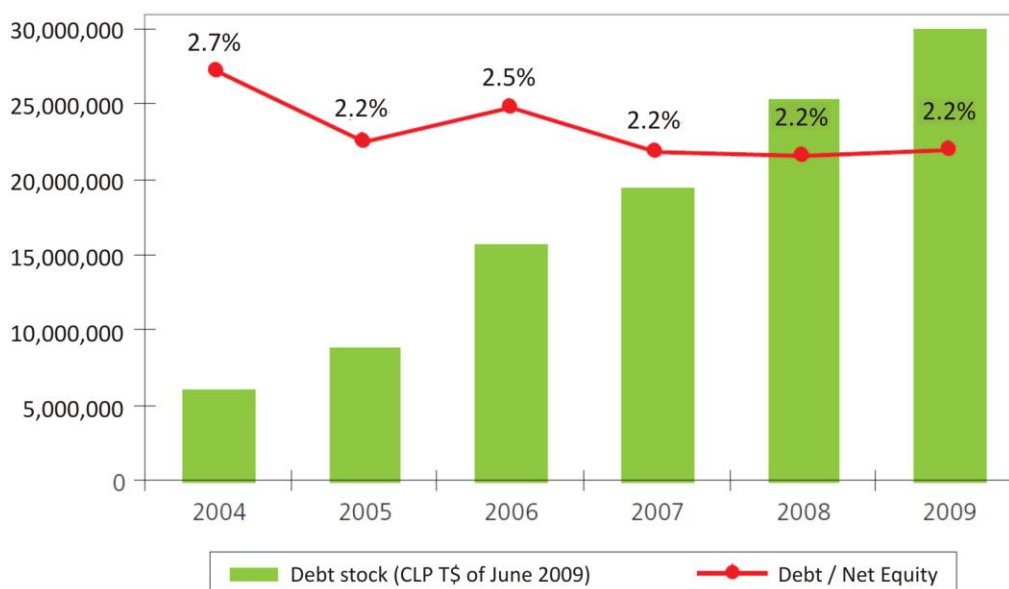
Source: Superintendence of Pensions

3.4 Social Security Debt in Unemployment Insurance

As of June 2009, declaration and non payment of contributions (DNP) added up to CLP 29.98 billion, which represents 2.2% of Unemployment Funds, whereas during the same month during 2008 the debt was CLP 25.49 billion, which corresponds to 2.2% of total net worth. In other words, between 2008 and 2009, the contributions owed as a percentage of Funds remained the same, but increased by 17.6% in real terms.

Graph III.16
Stock of declaration and non payment contributions
as a percentage of Unemployment Funds

(In December of each year;¹ In thousands of Chilean pesos as of June 2009)



(1) 2009 includes results until June.

Source: Superintendence of Pensions

In terms of the composition of debt by age of debt, it must be observed that in June 2009, 76.5% of debt stock had been created 12 months ago or more, unlike June 2008, when this type of debt was 71%.

Box III.7
Declaration and non payment of contributions by age of debt
(In December of each year)¹

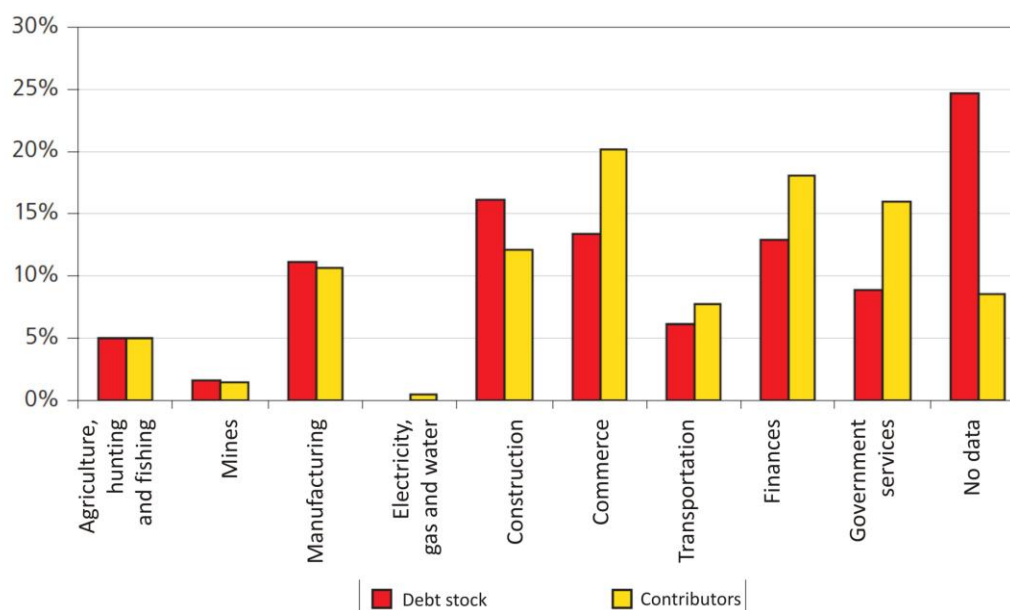
Age of debt	2004	2005	2006	2007	2008	2009
Current month	9.8%	5.6%	5.4%	5.3%	5.9%	3.2%
1 month	6.9%	6.6%	4.5%	4.5%	3.1%	2.6%
2-5 months	18.4%	14.6%	9.3%	9.2%	8.3%	8.2%
6-11 months	27.8%	16.3%	12.9%	9.6%	9.6%	9.5%
12 months or more	37.2%	56.9%	68.0%	71.5%	73.1%	76.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(1) 2009 includes results until June 30.

Source: Quarterly Financial Statements of Unemployment Funds

In terms of the distribution of debt by economic activity, in June 2009 a greater concentration of debt was observed in Construction (16.2%); Retail and wholesale commerce, Restaurants, coffeeshops and other facilities that sell food and drinks (13.4%), and Finances, insurance, real estate and technical, professional and other services (12.9%). If this distribution is compared with the percentage of contributors per economic activity, some differences may be observed. In effect, Insurance contributors are concentrated in Wholesale and retail commerce, restaurants, coffeeshops and other facilities that sell food and drinks (20.1%); Finances, insurance, real estate and technical, professional and other services (18%) and government, social, personal and international services (15.9%).

Graph III.17
Stock of declaration and non payment of contributions for Unemployment Insurance by economic activity
 (As of June 2009)



Source: Superintendence of Pensions, based on Quarterly Financial Statements of Unemployment Funds.

3.5 Yield of Unemployment Funds

Ever since the system was created, and until October 2009, the Administrator could invest Unemployment Funds in the same financial instruments authorized for Pension Fund System investments. The following tables show the portfolio of Unemployment Fund investments by type of instrument, and reveal a concentration of investments in national bonds and fixed-term deposits.

Box III.8. Unemployment Fund Investments
(In December of each year;¹ millions of Chilean pesos as of June 2009)

Financial instruments	2002		2003		2004		2005		2006		2007		2008		2009	
	MM\$	%	MM\$	%	MM\$	%	MM\$	%	MM\$	%	MM\$	%	MM\$	%	MM\$	%
Total national investment	4.506,6	100,0	86.222,2	93,9	209.932,2	97,5	375.552,6	94,7	611.780,3	96,4	882.539,3	98,6	1.156.291,1	98,1	1.350.049,0	98,1
Variable income	-	-	-	-	-	-	-	-	-	-	-	-	9.048,0	0,8	7.142,0	0,5
Stocks	-	-	-	-	-	-	-	-	-	-	-	-	9.047,0	0,8	5.650,0	0,4
Mutual, investment and FICE funds	-	-	-	-	-	-	-	-	-	-	-	-	1,0	0,0	1.492,0	0,1
Fixed income	4.506,6	100,0	86.193,4	93,9	209.057,7	97,1	371.809,9	93,8	601.453,7	94,8	866.963,0	96,8	1.143.765,1	97,1	1.334.277,0	97,0
Central Bank instruments	1.037,6	23,0	33.580,1	36,6	63.721,6	29,6	126.653,4	32,0	149.460,8	23,5	89.561,7	10,0	97.032,5	8,2	222.915,0	16,2
Treasury instruments	-	-	-	-	-	-	17.413,4	4,4	24.658,3	3,9	42.283,5	4,7	38.897,3	3,3	88.030,0	6,4
Recognition bonds and Minvu bonds	134,0	3,0	7.100,3	7,7	30.715,0	14,3	57.053,4	14,4	87.663,2	13,8	120.853,1	13,5	147.577,9	12,5	160.335,0	11,7
Company bonds and negotiable instruments	40,1	0,9	11.377,0	12,4	39.966,0	18,6	73.647,4	18,6	125.766,8	19,8	219.226,3	24,5	293.151,9	24,9	333.340,0	24,2
Bank bonds	-	-	-	-	618,8	0,3	5.238,9	1,3	14.749,7	2,3	76.708,5	8,6	147.314,0	12,5	165.150,0	12,0
Mortgage notes	961,9	21,3	14.058,8	15,3	40.041,7	18,6	48.107,2	12,1	70.366,2	11,1	92.893,1	10,4	69.922,1	5,9	70.563,0	5,1
Fixed-term deposits	2.310,9	51,3	20.077,1	21,9	33.994,6	15,8	43.376,5	10,9	128.238,1	20,2	224.469,0	25,1	349.812,9	29,7	286.018,0	20,8
Mutual and investment funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.902,0	0,6
Available	22,2	0,5	-	-	-	-	319,7	0,1	550,5	0,1	967,7	0,1	56,5	0,0	24,0	0,0
Derivatives	-	-	28,8	0,0	517,4	0,2	-20,9	-0,0	-202,3	-0,0	179,4	-0,0	681,5	0,1	4.891,0	0,4
Other national	-	-	-	-	357,1	0,2	3.763,5	0,9	10.528,9	1,7	15.396,8	1,7	2.796,4	0,2	3.739,0	0,3
Total foreign investment	-	-	5.579,6	6,1	5.447,4	2,5	20.838,2	5,3	22.943,3	3,6	12.978,6	1,4	22.048,2	1,9	25.883,0	1,9
Variable income	-	-	-	-	-	-	-	-	-	-	-	-	2.954,2	0,3	3.712,0	0,3
Mutual funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	804,0	0,1
Other	-	-	-	-	-	-	-	-	-	-	-	-	2.954,2	0,3	2.908,0	0,2
Fixed income	-	-	5.407,0	5,9	5.278,9	2,5	20.820,3	5,3	22.932,0	3,6	13.011,5	1,5	19.570,2	1,7	22.270,0	1,6
Derivatives	-	-	172,6	0,2	168,5	0,1	17,8	-0,0	11,3	-0,0	-32,9	-0,0	-476,2	0,0	-99,0	0,0
Other foreign	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total investment portfolio	4.506,6	100,0	91.801,8	100,0	215.379,6	100,0	1.164.591,4	100,0	1.870.900,9	294,8	2.657.998,7	296,8	1.178.339,3	100,0	1.375.932,0	100,0
Variable income, subtotal	-	-	-	-	-	-	-	-	-	-	-	-	12.002,2	1,0	10.854,0	0,8
Fixed income, subtotal	4.506,6	100,0	91.600,4	99,8	214.336,6	99,5	392.630,3	99,1	624.385,7	98,4	879.974,5	98,3	1.163.335,3	98,7	1.356.547,0	98,6
Forwards, subtotal	-	-	201,4	0,2	685,9	0,3	-3,1	0,0	-191,0	-0,0	146,5	-0,0	205,3	0,0	4.792,0	0,3
Others, subtotal	-	-	-	-	357,1	0,2	3.763,5	0,9	10.528,9	1,7	15.396,8	1,7	2.796,4	0,2	3.739,0	0,3
Total Unemployment Fund assets	4.506,6	100,0	91.801,8	100,0	215.379,6	100,0	396.390,7	100,0	634.723,6	100,0	895.517,9	100,0	1.178.339,3	100,0	1.375.932,0	100,0

(1) 2009 includes information until June.

Source: Superintendence of Pensions

The average yield of Unemployment Funds has been less than the yield of its reference portfolio—Type E Pension Funds. In effect, the following table shows the real yield of Unemployment Funds and Type E Pension Funds for June 2009, the last semester, last 12 months and average accumulated since the creation of the Unemployment Insurance Regime.

Box III.9
Real yield of Unemployment Funds and Type E Pension Funds

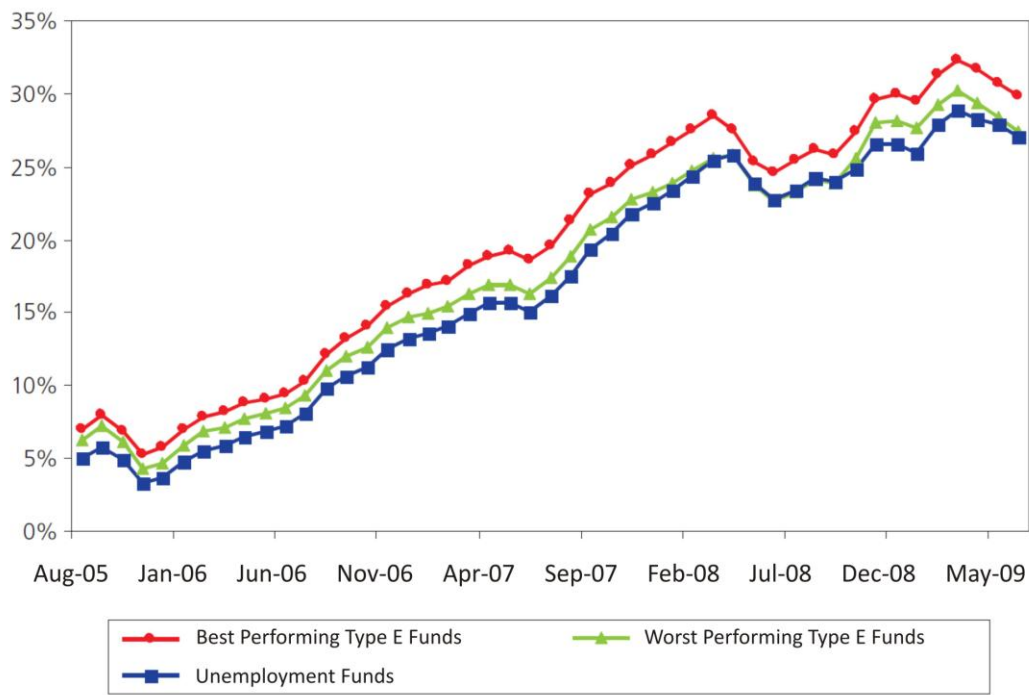
Real yield	Unemployment Funds	Pension Funds E
Yield per month	1.58%	1.57%
Yield of last semester	6.82%	5.93%
Yield of last 12 months	4.09%	4.50%
Average accumulated ¹	2.50%	3.43%

(1) From October 28, 2002 to June 2009
Source: Superintendence of Pensions

As explained in Chapter I, the commission charged by the Unemployment Fund Administrator increases or decreases according to the performance of the yield of Unemployment Funds in comparison to its reference portfolio,³³ which was Type E Pension Funds until October 2009, and from then on the portfolio established by the Investment Regime. The following graph shows the evolution of Unemployment Funds and Type E Pension Funds, of the greater and lesser yields, and reveals that the yield of Unemployment Funds has been lower than its reference portfolio during almost the entire period analyzed. As a result of these yields, the management commission charged to system contributors has been reduced between August 2005 and June 2009, except for the period between May 2008 and October of the same year. Since November 2009, when the new Investments Regime entered into effect and for 18 more months, the commission shall not be subject to increases or reductions.

³³ According to Article 42 of Law No. 19,728.

Graph III.18
Performance of Unemployment Funds and Type E Pension Funds¹
(August 2005 – June 2009)



(1) The percentages presented correspond to the nominal accumulated yield for rolling periods of 36 months, which is the calculation basis for establishing increases or reductions to the commission.

Source: 2009, Superintendence of Pensions.

Chapter IV

Unemployment Insurance Projections

In the previous chapter, we presented the main results of the Unemployment Insurance since its creation in October 2002 until the reform introduced in May 2009. The following are some of the most relevant aspects:

1. There is low access to the Solidarity Unemployment Fund (FCS), which is partly explained by difficulties in meeting the access requirements established by the System prior to the reform that entered into effect in May 2009, particularly the requirement of having made 12 consecutive contributions to the system.³⁴
2. Among workers that have met the access requirements for the FCS, an important number did not choose to use this benefit (since the creation of the System, around 45% of individuals who were entitled to FCS benefits chose not to use them and receive only the benefits financed through CIC).
3. Until April 2009, an important number of workers on the Chilean labor market –those with fixed-term or specific works/services contracts– were not allowed to obtain FCS benefits.
4. The FCS provides a greater income protection during periods of unemployment. This benefit offers the best replacement rates and provides coverage for the longest period of time, in comparison to the self-financed benefits associated solely to CIC.
5. The months of income protection provided by Unemployment Insurance was not associated to the difficulty of finding a new job, and thus individuals who obtained FCS were granted 5 months of benefits, regardless of their unemployment level.
6. The group of workers with mid-range incomes who used FCS benefits was not guaranteed the legally established replacement rate, since the benefits granted were subject to maximum values.

³⁴ Reyes (2005) estimates that only 20% of Unemployment Insurance contributors contributed at least twelve months a year. *Berstein et. all* (2007) reinforce the difficulties of meeting with the requirement of 12 consecutive contributions in order to gain access to FCS benefits.

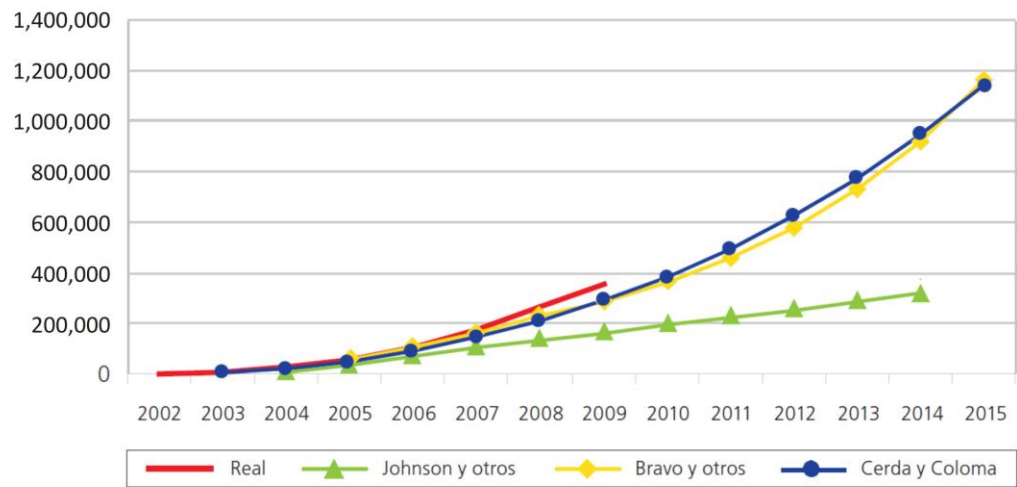
Considering the above, during the process of designing and creating a bill that introduced changes to the Unemployment Insurance Law, the Superintendence of Pensions developed a projection model for the System, which combined individual information on workers with actuarial techniques in order to estimate the effects of the Reform.³⁵ This chapter shall analyze the main results of this model, particularly as pertains to System coverage, the quality of benefits and FCS sustainability.

4.1 Sustainability of the Solidarity Unemployment Fund

Due to the low use of the benefits financed by the Solidarity Unemployment Fund, this fund has increased steadily since its creation. As of June 2009, the FCS accumulated approximately CLP 338 billion (equivalent to USD 640 million)³⁶ and the projections made by the three actuarial studies performed to date foresee that this situation shall endure until September 2015, the final period of analysis. On the one hand, Zurita and others (2004) project a 28% annual increase through December 2014, while Bravo and others (2006) estimate an annual increase of approximately 35%. Meanwhile, Cerda and Coloma (2008) estimate this increase at 26%. All these studies agree that the FCS would be sustainable even in a scenario of economic crisis.³⁷

The following graph shows the FCS projection generated by the aforementioned actuarial studies, as well as the effective value of the Fund from its creation until 2009.

Graph IV.1
FCS value, effective and under actuarial models, 2004, 2006 and 2008
(In millions of Chilean pesos of each year)



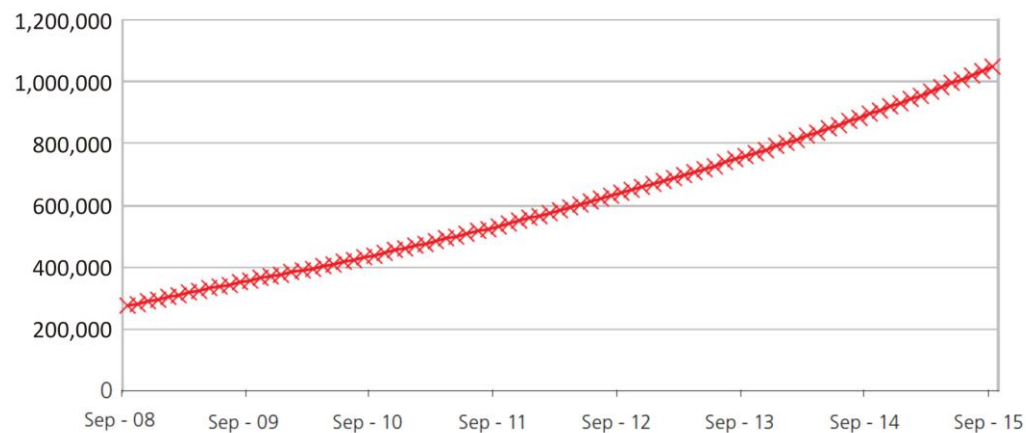
Source: Superintendence of Pensions, based on information from actuarial studies.

Using the aforementioned actuarial model, we may observe in the following graph that, in spite of the inclusion of workers with fixed-term contracts to the FCS, by granting them two months of benefits, and the flexibilization of

³⁵ For greater details on the projection model, see *Fajnzyblber and Poblete* (2010).
³⁶ The type of change used is the one valid on June 30, 2009: CLP 529.07.
³⁷ See *Johnson and otros* (2004), *Bravo and otros* (2006) and *Cerde and Coloma* (2008) for further details.

requirements for access to this fund for workers with open-ended contracts, the FCS continues to display a robust financial sustainability.

Graph IV.2
Projected value of the Solidarity Unemployment Fund
(In millions of Chilean pesos as of August 2009)



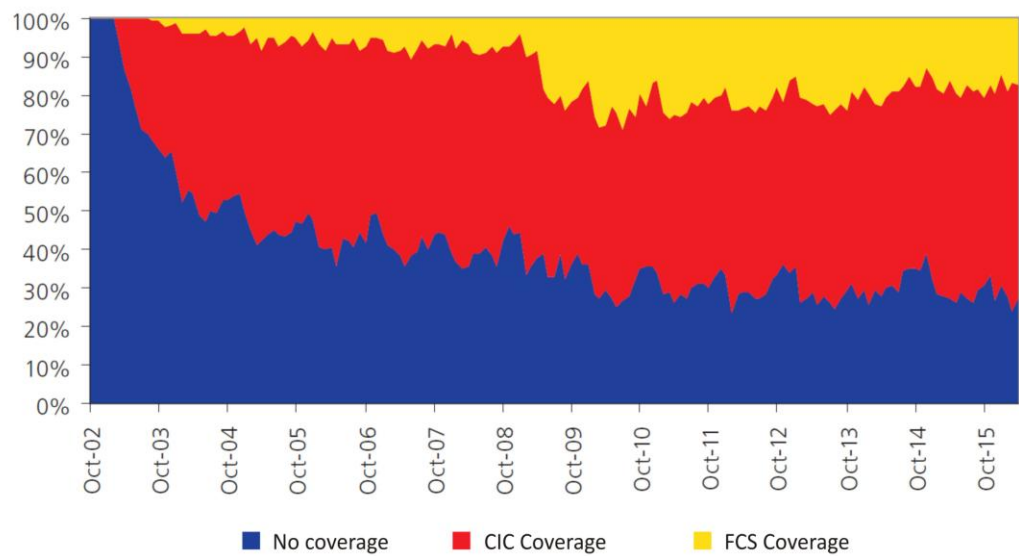
Source: Superintendence of Pensions.

4.2 System Coverage

The main motivation of the reform to the Unemployment Insurance was to improve the protection provided to members in the event of unemployment. The following graph shows that when access was granted to workers with fixed-term or specific works/services contracts, and the requirements for access to the Solidarity Unemployment Fund were reduced, there was a considerable increase in the coverage achieved by this Fund, which grew to 20% of individuals who would become jobless in December 2015. This should also imply an increase in the quality of benefits, since workers who previously received low replacement rates because they only qualified for the benefits financed with their own resources saved in Individual Accounts, with the proposed changes shall see an increase to their benefits when they obtain access to the Solidarity Unemployment Fund.

The initial impact in terms of Solidarity Unemployment Fund coverage is gradually reduced as members tend to accumulate greater balances in their Individual Accounts, in some cases surpassing the minimum required for becoming entitled to the Solidarity Fund (since they may self-finance the 5 corresponding payments).

Graph IV.3
Potential coverage during periods of unemployment, 2002-2015

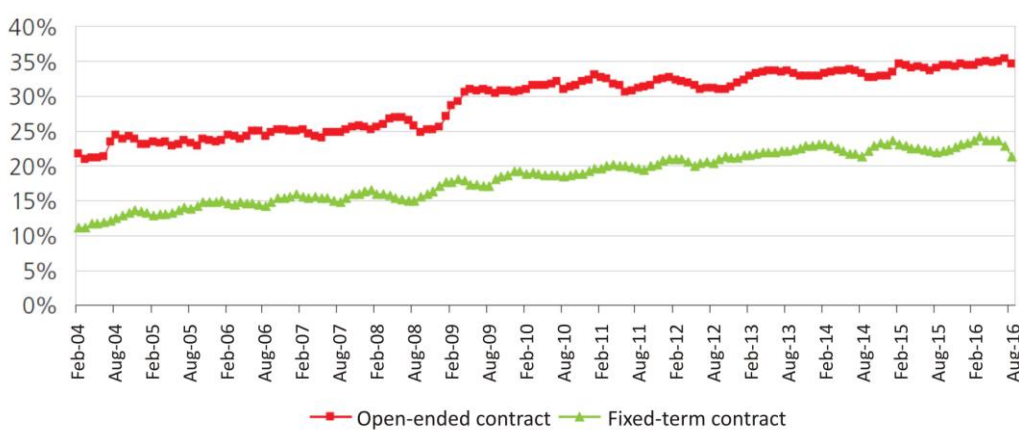


Source: Superintendence of Pensions.

4.3 Quality of Benefits

The following graph shows the quality of coverage, measured as the replacement rate during periods of unemployment, by type of contract.³⁸ The difference in the level observed between the different workers is primarily due to the lower density of contributions among workers with fixed-term contracts and which implies a lower propensity to become entitled to Solidarity Fund benefits. On the other hand, the replacement rates established by the new law are lower for this group.

Graph IV.4
Average replacement rate during periods of unemployment



Source: Superintendence of Pensions.

³⁸ In order to calculate the replacement rate, we included all members who meet the eligibility requirements and, therefore, may potentially become beneficiaries of the Solidarity Unemployment Fund and Individual Unemployment Accounts. The formula used to calculate the replacement rate is the total balance of Individual Unemployment Accounts divided by the average taxable wage of the last 12 months and in 5. this last number is used for the division (5) to approach the maximum benefits of the Solidarity Unemployment Fund.

Good quality of coverage may have a positive influence on labor market re-entry for individuals, by allowing workers to find jobs with higher productivity. This is possible thanks to the process of job reallocation, which allows the movement of workers employed in low-productivity companies towards others with higher levels of efficiency.³⁹

In short, the projection model developed by the Superintendence of Pensions helps predict the evolution of the most important components of the Unemployment Insurance and positively assessing the future results of the System, providing a better level of coverage and better benefits, while maintaining the financial sustainability of the Solidarity Unemployment Fund.

³⁹ See *Cowan and Micco* (2005) for further details.

Chapter V

Future Challenges

The creation of the Unemployment Insurance in October 2002 was an important move forward in the income protection of workers who undergo periods of unemployment. As has been mentioned in previous chapters, the evaluation of Unemployment Insurance prior to the reform implemented in May 2009 showed that the design of the system required some changes to provide a greater and better level of protection.

Although this reform made progress on important issues, the system still presents some challenges to deal with in coming years, some of which we shall develop in further detail below.

Monitoring the May 2009 Reform

The creation of Unemployment Insurance in 2002 followed a conservative design, in terms of the requirements for access and granting of benefits. This was the most appropriate approach at that time, given the limited amount of information on the work and social security behavior of workers. It must be observed that only with the development of the 2002 Social Protection Survey and the collection of administrative data on Pension Fund Administrators (AFP) from the individuals surveyed, were we able to gather more information on the work history of Chilean workers.

In this context, the design of the Unemployment Insurance sought to avoid the risk of opportunistic behavior by members or the financial non-sustainability of the system.

The administrative information gathered during the years of operation of the Unemployment Insurance has facilitated an evaluation of the system's operation, and has informed the design of the modifications introduced in May 2009. These modifications, besides having the main objective of extending the coverage and quality of the benefits granted, also sought to maintain the incentives for workers to look for jobs when facing periods of unemployment.

Certainly, the effects of this reform must be monitored and assessed continuously, particularly in regard to the incentives for searching for a job, the quality of benefits, coverage and financial sustainability. This should help

advance towards the future implementation of improvements that may establish a better income protection for unemployed workers.

In this sense, it is important to highlight the need for monitoring and supervising the behavior of workers with fixed-term or specific works/services contracts, who prior to the reform were not entitled to Solidarity Unemployment Fund benefits. This will help evaluate the changes introduced and also propose improvements to the benefits granted to this group, striving to create equal opportunities for workers regardless of their type of contract, to the extent that the conclusions of the evaluation point in that direction.

Interaction of Unemployment Insurance with other Forms of Unemployment Protection

From a public policy perspective, unemployment protection may be accomplished through different tools, whichever are more appropriate to achieve the stated goals depending on the conditions of the labor market and the characteristics of the country (Vodopivec, 2004).

Some of the alternatives for income protection for unemployed workers include: traditional unemployment insurance (pay-as-you-go), assistance programs for the unemployed, system of Individual Accounts, either pure or combined with social insurance (as in the case of Chilean Unemployment Insurance), payment of severance compensation or employment programs with government financing.

In Chile, income protection for unemployed workers is carried out primarily by the Unemployment Insurance described and analyzed in this book, sustained by individual savings accounts and combined, after meeting certain access requirements, with a Solidarity Unemployment Fund which acts as the social security component mentioned in the previous paragraph.

Similarly, workers with open-ended contracts, whose work relationships have been maintained over one year or more, and whose job was terminated under the provisions of Article 161 of the Labor Code (known as company needs), shall have the right to severance compensation. These workers will receive a payment equivalent to one month's wages for each year of services rendered, with a maximum limit of 11 wages. As mentioned in Chapter I of this book, contributions made to Individual Unemployment Accounts and charged to employers in the Unemployment Insurance system are discounted from the severance compensation payment. This means that employers must make provisions for possible future severance compensation payments, and that workers receive all-event compensation financed by employers, which is saved in their individual accounts.

In addition, Chile maintains a traditional unemployment subsidy, designed for workers who are not members of the Unemployment Insurance, but which has a small number of beneficiaries and benefits. Similarly, Chile has government-funded employment programs that target certain regions and towns throughout the country which have the highest unemployment rates.

In this sense, it is necessary to review the design of the Unemployment Insurance and ensure a pertinent interaction of the severance compensation with the insurance, as well as deciding if the level of provisions made by employers (through their contributions to the Individual Unemployment Account), is appropriate. This requires a study of the impact of severance compensation payments, in order to clearly understand to what extent these are currently being used, both in terms of the access requirements for these benefits, as well as their use as a reference point in agreements between workers and their employers to terminate a work relationship.

All the above shall allow us to better understand the potential contributions of an Unemployment Insurance charged to employers, better adapted to the Chilean labor reality, capable of ensuring adequate protection, and maintaining an appropriate level of flexibility in our labor market.

Complementary Benefits

The protection of unemployed workers considers several dimensions; on the one hand, the goal of consumption smoothing achieved through our Unemployment Insurance, but also supporting other aspects such as health benefit coverage for workers and their families or family allocations per child. At least these last two aspects are covered under the current design, as described in Chapter I of this book.

A fundamental aspect in the intervention received by unemployed workers is the support provided for searching for and finding a new job. In this sense, we must strive to make Unemployment Insurance not only a monetary transfer, but rather a comprehensive protection system focused primarily on the search for new jobs. In this way, the law that reformed Unemployment Insurance introduced an institutional framework for two elements that tend to support this search.

On the one hand, in December 2009 a Labor Information System was implemented through the www.sil.gob.cl website, which provides information on the labor market that is designed to job search efforts by territory and by economic activity. Thus, through this website workers are able to find information on wage levels by region and economic activity, as well as unemployment rates, among many other aspects.

On the other hand, the law establishes that the National Employment Registry, heretofore managed by the Unemployment Fund Administrator, AFCHILE S.A., must be awarded to a single-purpose private entity through a public tender. The goal of this tool is to facilitate the encounter between workers seeking employment and employers offering job positions, in order to reduce the information inequalities that exist in the segment of workers who lack the appropriate networks for finding a new job. Similarly, this new National Employment Registry must become a valuable tool for employers, since there is currently no place that identifies workers in this segment who are available for hiring.

The support provided by the new National Employment Registry in the search for a new job must be complemented with new or existing programs, in terms of promoting the hiring of new workers, as a subsidy to employment and training, designed for workers with a greater labor vulnerability and lower degree of employability, who have a harder time finding and keeping new jobs.

In this direction, it may be an alternative for workers who receive monetary Unemployment Insurance benefits, and especially those workers with lower employability, to receive complementary benefits focused on the search for new and more stable employment.

Permanent Dissemination and Information of the System

In individual capitalization systems, such as the Individual Unemployment Accounts of the Chilean system, the knowledge members have regarding its operations is an important tool for the success of the System. For example, workers must know the potential benefits they may have if they become unemployed, what the conditions are to obtain access to the benefit, the percentage of contributions made by each worker and his/her employer and, even more basically, they must know that this type of tools exist and that they are obliged to contribute, which not only helps them make decisions, but also acts as a way to control the payment of contributions by employers.

In this sense, the challenge is to accomplish a full dissemination of the rights, requirements and benefits in regards to Unemployment Insurance, striving to find an appropriate balance of incentives for members to use this benefit appropriately.

Tendering of Management since 2012

In 2001, following a public tendering process, management of the Unemployment Funds was awarded to an Administrator for a period of 10 years. The selected Administrator may manage this System for a period of 10 years, starting from the implementation of the System. In other words, a new management period must begin in October 2012, under the entity that wins the public tender to be held in 2011.

This upcoming tender must review the pertinence of some important elements to be included in the management contract established between the company selected to manage the System and the Chilean government, through its Ministry of Finance and Ministry of Labor and Social Security. Some of the elements that are important to discuss in this regard are the following:

Duration of the contract: the law that regulates Chilean Unemployment Insurance establishes a maximum period of 10 years for the management of Unemployment Funds. In this sense, we must study whether this is the appropriate duration for this tender, especially considering that the system is already established and that only one company wins the tender for a system that requires the mandatory membership of workers.

Network of agencies: considering our country's extensive geography, in the next tendering process we must analyze and establish an optimal system of permanent or mobile agencies capable of responding to the needs of members. For example, we currently have a situation in which the more isolated areas, such as the Province of Palena in the Region of Los Lagos, does not have a nearby agency, and individuals must make the long trip to the regional capital, Puerto Montt, in order to submit a claim for benefits. Certainly, this type of deficiencies must be resolved in the next tender.

Dissemination and information on the system: the current obligations of the Administrator in terms of dissemination and information on the system are focused on the delivery of annual reports to members, which provide information on the status of their individual accounts; maintaining informative brochures in their customer service offices in regards to diverse operational aspects of the Unemployment Insurance; maintaining a website which allows members to acquire a password in order to obtain information on the status of their individual accounts and other aspects of the System; and a call center managed by the Administrator. In terms of these obligations, it is important to analyze whether the Administrator must also make additional efforts to help disseminate information on the System in order to better achieve its goals. In this sense, additional obligations in this field must be included in future management contracts.

Risk-Based Supervision

The Superintendence of Pensions is initiating a process of implementation of a new supervisory methodology, known as Risk-Based Supervision (SBR), which is a structured process that aims to identify the main risks faced by the institutions under supervision and evaluate their management of these risks. The final objective is to ensure an appropriate management of all risks associated to a complex institution which is responsible for providing a source of income to individuals who undergo periods of unemployment.

The Risk-Based Supervision approach is characterized as a comprehensive and preventive supervisory tool, since it reviews all relevant risks in each activity and attempts to foresee situations of weakness in terms of risk management and the internal controls associated to its main operating processes, while promoting the correction and permanent improvement of these weaknesses.

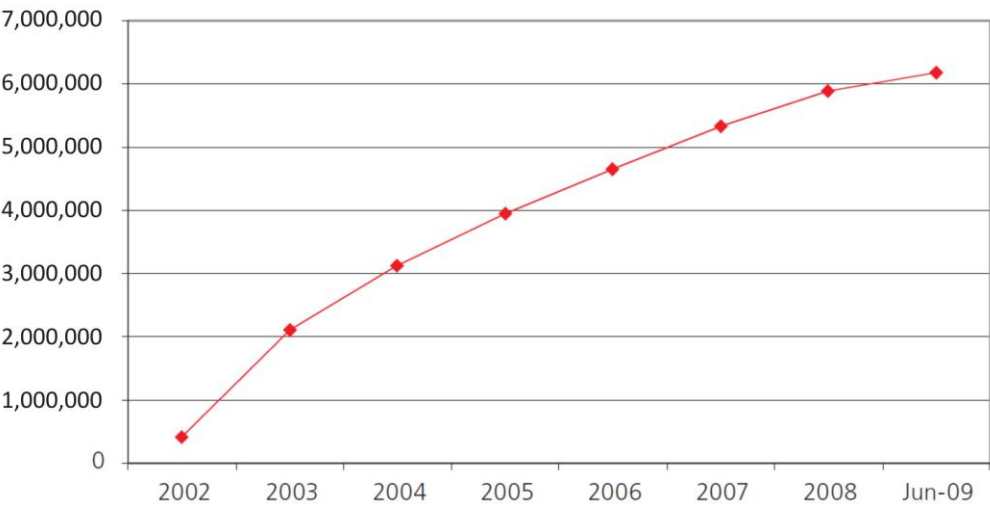
To date, the Superintendence of Pensions has finalized a pilot process of implementation of the Risk-Based Supervision methodology in a Pension Fund Administrator, and it hopes to implement it among all other institutions in the Individual Capitalization Pension System during the present year.

This supervisory methodology must be implemented in the Unemployment Fund Administrator by 2010, which would allow for an oversight that is more effective, efficient and aligned with the best practices in this field.

Statistical Annex

Unemployment Insurance Members
(As of December of each year)

Years	Number of members
2002	410,530
2003	2,118,718
2004	3,113,028
2005	3,941,173
2006	4,645,937
2007	5,330,798
2008	5,888,652
Jun-09	6,165,488



Number of members by balance accumulated in CIC
(As of December of each year)

Range of balances in thousands of Chilean pesos	Years							
	2002	2003	2004	2005	2006	2007	2008	Jun-09
0	291,461	86,382	132,470	188,963	228,781	247,903	313,501	425,651
+0-5	78,923	650,933	952,213	1,210,070	1,367,007	624,060	643,533	678,364
+5-10	28,448	345,100	474,713	574,332	676,847	444,381	452,862	472,784
+10-20	8,689	367,085	487,447	583,549	669,436	592,620	611,500	628,791
+20-50	2,796	427,580	544,569	639,640	735,891	1,036,642	1,050,507	1,059,572
+50-100	212	160,476	290,861	347,465	399,859	814,586	834,658	806,523
+100-200	1	58,993	146,022	228,725	295,545	722,137	795,901	766,011
+200-500	0	21,718	70,443	128,119	193,714	595,351	786,488	843,573
+500-1000	0	451	14,147	34,150	58,073	172,271	260,415	307,002
+1000-2000	0	0	142	6,159	20,644	69,873	108,245	132,141
+2000-3000	0	0	0	1	140	10,893	28,334	36,551
+3000-4000	0	0	1	0	0	81	2,649	8,364
+4000-5000	0	0	0	0	0	0	52	144
+5000-7000	0	0	0	0	0	0	4	13
+7000-10000	0	0	0	0	0	0	3	4
+10000	0	0	0	0	0	0	0	0
Total	410,530	2,118,718	3,113,028	3,941,173	4,645,937	5,330,798	5,888,652	6,165,488

Unemployment Insurance Contributors and coverage
(As of December of each year)

Years	Number of contributors			Coverage
	Open-ended contract	Fixed-term contract	Total	
2002	10,005	48,816	58,821	2.0%
2003	328,371	866,980	1,195,351	39.2%
2004	795,277	917,439	1,712,716	54.5%
2005	1,082,456	1,079,017	2,161,473	65.4%
2006	1,323,931	1,176,534	2,500,465	68.9%
2007	1,590,796	1,330,186	2,910,982	76.6%
2008	1,712,575	1,339,139	3,051,714	77.1%
June-09	1,988,264	953,088	2,941,352	78.6%

Unemployment Insurance Contributors by gender
(As of December of each year)

Years	Number of contributors			Participation of contributors by gender		
	Men	Women	Total	Men	Women	Total
2002	44,528	14,293	58,821	76%	24%	100%
2003	734,689	317,869	1,195,351	61%	27%	100%
2004	1,090,838	492,462	1,712,716	64%	29%	100%
2005	1,393,031	652,623	2,161,473	64%	30%	100%
2006	1,594,719	798,238	2,500,465	64%	32%	100%
2007	1,829,795	946,636	2,910,982	63%	33%	100%
2008	1,871,179	1,025,943	3,051,714	61%	34%	100%
June-09	1,840,397	979,932	2,941,352	63%	33%	100%

Unemployment Insurance Contributors by region
(As of December of each year)

Regions del country	Years							
	2002	2003	2004	2005	2006	2007	2008	June-09
I	652	28,542	45,068	57,466	65,376	45,436	45,143	44,705
II	1,886	41,526	63,560	78,534	89,615	101,748	100,133	101,478
III	2,495	24,075	33,810	42,192	47,207	53,002	51,876	48,798
IV	2,499	41,423	61,110	77,142	90,071	101,115	96,382	97,667
V	5,907	97,806	150,634	193,187	221,283	256,248	252,318	243,625
VI	5,929	77,903	109,765	130,101	145,986	162,944	162,465	143,863
VII	9,791	65,832	88,074	119,952	137,693	159,992	155,709	140,158
VIII	6,670	112,804	167,086	218,406	253,268	288,521	287,370	279,653
IX	2,877	42,414	61,200	80,897	93,406	109,480	106,557	100,809
X	2,128	65,513	98,224	127,044	152,920	127,064	124,709	116,637
XI	418	6,962	10,409	13,126	15,109	16,395	15,625	14,891
XII	551	13,727	20,735	23,257	27,007	30,462	30,200	28,891
R.M.	12,112	408,184	659,675	867,981	1,030,163	1,229,126	1,196,530	1,149,175
XIV	-	-	-	-	-	46,720	47,008	44,413
XV	-	-	-	-	-	30,312	29,328	28,790
No data	4,906	168,640	143,366	132,188	131,361	152,417	350,361	357,799
Total	58,821	1,195,351	1,712,716	2,161,473	2,500,465	2,910,982	3,051,714	2,941,352

Unemployment Insurance Contributors by age
(As of December of each year)

Age range	Years							
	2002	2003	2004	2005	2006	2007	2008	June-09
Under 18	3	0	0	0	0	0	0	12,116
+18-20	1,200	19,854	24,257	33,414	40,932	46,687	35,047	78,197
+20-25	7,521	177,797	258,870	313,750	349,368	388,918	362,868	379,671
+25-30	7,649	191,249	288,811	368,354	433,680	501,268	507,227	498,193
+30-35	7,331	175,655	269,368	346,105	396,797	450,217	469,324	452,492
+35-40	7,113	156,465	225,703	289,606	337,914	391,447	423,717	401,489
+40-45	6,082	134,759	201,425	262,875	310,948	355,183	379,121	365,242
+45-50	4,215	93,577	142,154	192,893	232,551	284,757	315,590	293,007
+50-55	2,557	54,377	86,045	120,048	150,723	185,067	212,343	189,377
+55-60	1,595	29,988	49,168	67,261	82,559	103,513	119,984	101,330
+60-65	849	13,211	24,729	33,940	41,935	51,938	56,420	43,122
+65-70	250	2,735	7,445	10,234	12,856	16,226	15,279	7,822
+70-75	66	525	1,885	2,596	2,951	3,642	2,613	1,495
+75-80	14	133	530	724	865	970	740	519
More than 80	4	184	217	255	297	360	369	207
No data	12,372	144,842	132,109	119,418	106,089	130,789	151,072	117,073
Total	58,821	1,195,351	1,712,716	2,161,473	2,500,465	2,910,982	3,051,714	2,941,352

Covered earnings by type of contract and gender
(As of December of each year in Chilean pesos of June 2009)

Years	Open-ended contract			Fixed-term contract			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
2002	297,857	349,660	305,075	190,164	137,415	176,226	210,990	158,115	198,143
2003	405,608	361,073	378,461	284,781	223,322	255,366	317,796	263,118	289,181
2004	422,611	362,609	397,477	287,947	218,329	258,864	349,418	292,385	323,228
2005	444,839	376,678	418,106	304,824	225,970	273,146	373,599	309,402	345,742
2006	470,579	398,650	443,706	317,227	241,497	286,977	396,819	332,141	369,961
2007	491,191	407,565	457,072	336,852	252,335	300,964	419,009	344,683	385,738
2008	517,167	425,610	477,676	357,447	262,369	316,659	445,187	361,460	407,020
June-09	494,905	415,047	461,517	306,811	234,766	280,585	430,837	365,180	402,890

Unemployment Insurance Contributors by economic activity
(As of December of each year)

Economic activity	Years							
	2002	2003	2004	2005	2006	2007	2008	June-09
Agriculture, agricultural services, hunting, forestry and fishing	3,069	189,637	229,830	272,357	282,294	339,501	227,445	148,903
Mines, oil and quarries	23	6,540	10,362	13,460	15,940	18,733	19,741	44,263
Manufacturing industries	373	90,984	131,255	152,312	163,800	172,712	159,224	311,715
Electricity, gas and water	1	2,768	4,575	7,109	5,627	6,200	4,252	13,976
Construction	1,967	184,736	265,072	310,162	304,106	309,121	317,339	355,172
Wholesale and retail commerce, restaurants, coffeeshops and other facilities that sell food and drinks	2,549	204,948	327,865	394,228	451,940	485,363	460,013	592,022
Transportation, storage and communications	315	73,534	118,996	148,637	160,384	172,498	166,731	227,664
Finances, insurance, real estate and technical, professional and other services	558	180,336	307,256	401,495	549,014	656,091	564,705	530,412
Government, social, personal e international services	337	136,628	285,063	413,898	527,896	637,385	706,794	467,657
No data	49,629	125,240	32,442	47,815	39,464	113,378	425,470	249,568
Total	58,821	1,195,351	1,712,716	2,161,473	2,500,465	2,910,982	3,051,714	2,941,352

Participation of Unemployment Insurance contributors by economic activity
(As of December of each year)

[illegible]

Number of beneficiaries who receive unemployment benefits
(As of December of each year)

Years	Open-ended contract			Fixed-term contract			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
2003	262	118	380	15,668	3,036	18,704	15,930	3,154	19,084
2004	7,945	3,364	11,309	27,383	5,998	33,381	35,328	9,362	44,690
2005	16,847	7,341	24,188	34,790	6,030	40,820	51,637	13,371	65,008
2006	22,167	8,766	30,933	38,431	7,172	45,603	60,598	15,938	76,536
2007	30,805	15,662	46,467	32,019	6,969	38,988	62,824	22,631	85,455
2008	46,961	23,385	70,346	35,425	7,555	42,980	82,386	30,940	113,326
June-09	62,343	32,981	95,324	55,840	26,207	82,047	118,183	59,188	177,371

Note:

The statistics presented correspond to the number of members who received unemployment benefits in the month, which may correspond to their 1st, 2nd, 3rd or further payment, depending on the number of withdrawals they are entitled to and the date on which the claim was granted.

Number of claims processed and approved
Accumulated as of December of each year

Years	Claims processed
2003	114,663
2004	458,205
2005	665,124
2006	830,664
2007	908,795
2008	1,010,334
June-09	636,714

New benefits paid, distributed by type of contract
Accumulated as of December of each year

Years	Open-ended contract	Fixed-term contract	Total
2003	480	99,746	100,226
2004	45,190	393,072	438,262
2005	124,748	515,959	640,707
2006	195,062	613,073	808,135
2007	252,782	604,031	856,813
2008	310,091	625,639	935,730
June-09	209,149	394,277	603,426

Note:
The statistics presented correspond to the number of beneficiaries receiving their first monthly payment.

Average amount of benefits received in the month by type of contract
(As of December of each year in Chilean pesos of June 2009)

Years	Open-ended contract			Fixed-term contract			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
2003	104,412	100,999	103,35	90,063	44,577	82,680	90,299	46,688	83,092
2004	103,926	93,651	100,86	100,212	57,018	92,451	101,048	70,181	94,581
2005	105,506	91,329	101,20	112,329	67,450	105,69	110,103	80,560	104,027
2006	115,653	100,420	111,33	122,908	76,877	115,66	120,254	89,826	113,917
2007	116,369	100,220	110,92	122,919	76,228	114,57	119,707	92,832	112,590
2008	133,908	120,460	129,43	136,309	87,940	127,80	134,940	112,519	128,819
June-09	166,344	141,444	157,72	99,237	60,965	87,013	134,637	105,810	125,017

Average amount of benefits by type of contract and type of service
(As of December of each year, in Chilean pesos of June 2009)

Years	Open-ended contract		Fixed-term contract
	CIC	FCS	CIC
2003	62,251	388,505	59,263
2004	114,717	424,378	82,252
2005	153,069	424,159	91,149
2006	195,444	427,072	101,037
2007	228,650	419,908	102,847
2008	246,005	419,841	112,573
June-09	293,755	463,669	118,741

Net worth of Unemployment Funds
(As of December of each year, in millions of Chilean pesos of June 2009)

Year	Net worth of FC, in millions
2002	1,030
2003	89,173
2004	221,093
2005	392,308
2006	628,768
2007	889,787
2008	1,172,763
June-09	1,363,856

Flow of Unemployment Funds
(Accumulated as of December of each year, in Chilean pesos of June 2009)

Year	Individual Unemployment Account			Solidarity Unemployment Fund			
	Expenses (in millions)	Contributions (in millions)	Expenses/ Contributions	Expenses (in millions)	Contributions (in millions)	Government contribution (in millions)	Expenses/ Contributions
2003	6,718	80,546	8.3%	3	7,935	1,178	0.0%
2004	37,817	140,952	26.8%	1,652	25,674	2,039	6.0%
2005	65,381	195,730	33.4%	4,407	37,963	4,284	10.4%
2006	98,156	245,666	40.0%	6,249	52,159	5,196	10.9%
2007	118,610	298,600	39.7%	6,614	67,230	6,128	9.0%
2008	144,114	348,343	41.4%	7,435	81,995	6,410	8.4%
June-	105,911	188,816	56.1%	5,855	47,142	4,159	11.4%

Note:
Contributions correspond to contributions charged to worker and/or employer.

Debt stock and % over net worth
(As of December of each year, in thousands of Chilean pesos of June 2009)

Years	Debt (T\$)	% net worth
2004	6,016,952	2.7%
2005	8,805,560	2.2%
2006	15,620,349	2.5%
2007	19,402,402	2.2%
2008	25,291,521	2.2%
June-2009	29,985,162	2.2%

Note:
Debt stock reported corresponds to Declaration and Non Paid Contributions.

Debt stock by age of debt
(As of December of each year, in Chilean pesos of June 2009)

Years	Age of debt					Total
	Current month (December) (T\$)	1 month (T\$)	2-5 months (T\$)	6-11 months (T\$)	12 months or more (T\$)	
2004	587,376	414,970	1,105,657	1,671,909	2,237,040	6,016,952
2005	493,768	582,512	1,283,778	1,434,373	5,011,129	8,805,560
2006	845,031	702,723	1,445,003	2,012,057	10,615,536	15,620,349
2007	1,027,267	865,236	1,776,333	1,862,059	13,871,507	19,402,402
2008	1,490,931	791,941	2,105,022	2,417,945	18,485,681	25,291,521
June-09	948,428	771,682	2,473,334	2,847,049	22,944,669	29,985,162

Evolution of debt stock by age of debt
(In thousands of Chilean pesos of June 2009)

Date	03/30/07	06/30/07	09/30/07	12/30/07	03/30/08	06/30/08	09/30/08	12/30/08	03/30/09	06/30/09
	T\$	T\$	T\$	T\$	T\$	T\$	T\$	T\$	T\$	T\$
2009-06										412,404
2009-05										429,944
2009-04										473,601
2009-03									383,134	501,828
2009-02									404,115	509,875
2009-01									423,530	519,397
2008-12								379,664	424,969	549,975
2008-11								390,168	428,476	561,929
2008-10								400,075	477,286	659,729
2008-09							332,772	402,696	508,199	701,701
2008-08							346,008	412,111	537,112	771,682
2008-07							353,320	416,164	555,110	948,428
2008-06						306,240	389,384	429,178	690,092	22,944,6
2008-05						320,847	396,926	448,852	820,639	
2008-04						352,909	400,114	548,159	927,188	
2008-03					297,681	371,376	405,866	695,900	20,745,5	
2008-02					302,609	376,553	415,717	791,941		
2008-01					322,069	387,166	450,577	1,490,93		
2007-12				281,016	324,567	483,103	524,778	18,485,6		
2007-11				308,239	345,810	496,888	671,990			
2007-10				309,123	388,208	602,761	1,075,44			
2007-09			300,491	310,489	417,355	650,402	16,629,9			
2007-08			311,650	313,156	461,208	935,884				
2007-07			319,419	340,036	511,926	1,250,59				
2007-06		321,513	331,817	352,118	682,662	15,969,4				
2007-05		322,280	331,973	385,724	959,076					
2007-04		358,683	338,145	463,143	1,144,65					
2007-03	207,618	366,888	375,333	575,348	15,059,0					
2007-02	272,410	376,904	384,574	865,236						
2007-01	304,584	383,981	480,853	1,027,26						
2006-12	313,746	400,871	651,904	13,871,5						
2006-11	317,718	417,851	898,527							
2006-10	341,209	510,903	1,295,55							
2006-09	352,082	665,835	13,857,3							
2006-08	426,280	894,465								
2006-07	445,488	1,141,25								
2006-06	572,042	13,472,6								
2006-05	648,244									
2006-04	977,815									
2006-03 or previous months	12,019,424									

(1): aaaa-mm: year and month

Social security debt by economic activity
(As of December of each year)

Activity economic	Years					
	2004	2005	2006	2007	2008	June-09
Agriculture, agricultural services, hunting, forestry and fishing	9.0%	7.3%	6.1%	6.6%	5.6%	4.9%
Mines, oil and quarries	0.9%	1.2%	0.7%	2.3%	1.5%	1.6%
Manufacturing industries	11.5%	10.8%	5.1%	8.8%	10.3%	11.1%
Electricity, gas and water	0.2%	0.1%	0.1%	0.2%	0.0%	0.1%
Construction	20.8%	18.8%	6.6%	12.1%	15.6%	16.2%
Wholesale and retail commerce, restaurants, coffeeshops and other facilities that sell food and drinks	15.1%	13.7%	5.3%	9.3%	13.2%	13.4%
Transportation, storage and communications	6.5%	6.6%	2.0%	4.4%	5.7%	6.2%
Finances, insurance, real estate and technical, professional and other services	15.3%	15.7%	6.5%	11.3%	12.5%	12.9%
Government, social, personal and international services	12.0%	14.6%	7.4%	9.8%	9.7%	8.9%
No data	8.6%	11.3%	60.3%	35.2%	25.8%	24.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Real yield of Unemployment Funds

Month	Unemployment Funds		
	Month	Last 12 months	Accumulated since Oct. 28, 2002
Dec-02	-0.30%		-5.57%
Dec-03	0.31%	1.64%	0.52%
Dec-04	-0.73%	3.49%	1.87%
Dec-05	0.51%	0.21%	1.34%
Dec-06	0.43%	6.97%	2.66%
Dec-07	-0.28%	1.44%	2.42%
Dec-08	-0.12%	-2.50%	1.61%
Jun-09	1.58%	4.09%	2.50%

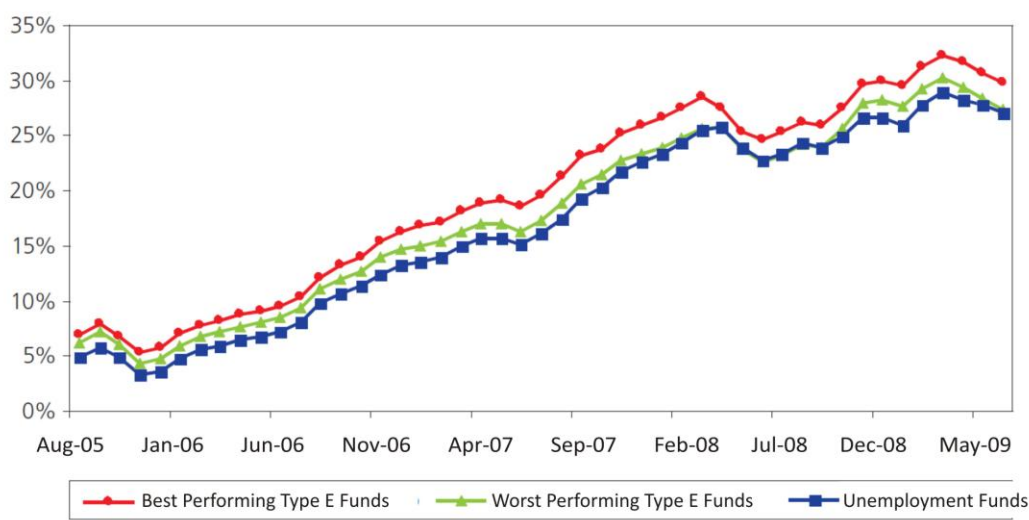
Accumulated nominal yield of Unemployment Funds and Type E Pension Funds

Month	Best performing Type E Funds of	Worst performing Type E Funds	Unemployment Funds
Aug-05	6.95%	6.21%	4.96%
Sep-05	7.90%	7.16%	5.81%
Oct-05	6.80%	6.06%	4.89%
Nov-05	5.31%	4.29%	3.33%
Dec-05	5.74%	4.71%	3.65%
Jan-06	7.00%	5.89%	4.77%
Feb-06	7.84%	6.82%	5.55%
Mar-06	8.19%	7.14%	5.88%
Apr-06	8.80%	7.67%	6.46%
May-06	9.05%	8.03%	6.82%
Jun-06	9.48%	8.49%	7.23%
Jul-06	10.33%	9.33%	8.08%
Aug-06	12.11%	11.03%	9.73%
Sep-06	13.23%	11.96%	10.65%
Oct-06	14.03%	12.64%	11.31%
Nov-06	15.46%	13.92%	12.45%
Dec-06	16.31%	14.64%	13.18%
Jan-07	16.90%	14.98%	13.60%
Feb-07	17.16%	15.37%	14.02%
Mar-07	18.22%	16.27%	14.94%
Apr-07	18.88%	16.94%	15.64%
May-07	19.18%	16.94%	15.63%
Jun-07	18.57%	16.25%	15.09%
Jul-07	19.64%	17.34%	16.13%

Accumulated nominal yield of Unemployment Funds and Type E Pension Funds
(continued)

Month	Best performing Type E Funds	Worst performing Type E Funds	Unemployment Funds
Aug-07	21.29%	18.84%	17.46%
Sep-07	23.12%	20.66%	19.32%
Oct-07	23.83%	21.53%	20.38%
Nov-07	25.14%	22.72%	21.79%
Dec-07	25.86%	23.28%	22.57%
Jan-08	26.62%	23.91%	23.35%
Feb-08	27.56%	24.75%	24.33%
Mar-08	28.46%	25.61%	25.51%
Apr-08	27.56%	25.83%	25.83%
May-08	25.35%	23.72%	23.86%
Jun-08	24.61%	22.68%	22.78%
Jul-08	25.41%	23.26%	23.33%
Aug-08	26.22%	24.13%	24.27%
Sep-08	25.86%	23.86%	23.94%
Oct-08	27.47%	25.59%	24.87%
Nov-08	29.64%	27.98%	26.59%
Dec-08	29.95%	28.19%	26.58%
Jan-09	29.53%	27.60%	25.95%
Feb-09	31.28%	29.22%	27.86%
Mar-09	32.29%	30.19%	28.91%
Apr-09	31.68%	29.42%	28.27%
May-09	30.66%	28.34%	27.86%
Jun-09	29.80%	27.43%	27.09%

Note:
The percentages presented correspond to the accumulated nominal yield for 36-month rolling periods.



Income and operating expenses of AFCCHILE S.A.
(As of December of each year in thousands of U.S. dollars of June 2009)

	2003	2004	2005	2006	2007	2008	June-09
OPERATING INCOME	417	1,193	2,362	3,822	6,549	9,993	5,709
Income from fees	300	1,193	2,362	3,822	6,549	9,993	5,709
Other operating income	117	0	0	0	0	0	0
OPERATING EXPENSES	-4,715	-6,353	-7,816	-8,032	-8,766	-9,454	-5,764
Personnel remunerations	-1,645	-2,019	-2,086	-2,213	-2,423	-2,577	-1,456
Marketing expenses	-179	-216	-233	-216	-215	-243	-203
Computer expenses	-382	-391	-376	-336	-540	-461	-396
Management expenses	-1,881	-3,101	-4,460	-4,519	-4,818	-5,431	-3,305
Depreciation during fiscal year	-494	-492	-563	-626	-649	-614	-291
Other operating expenses	-134	-135	-98	-122	-120	-127	-112
OPERATING RESULT	-4,298	-5,160	-5,454	-4,210	-2,216	539	-55

Income and operating expenses of AFCCHILE S.A.
(As of December of each year, as a percentage)

	2003	2004	2005	2006	2007	2008	June-09
OPERATING INCOME	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Income from commissions	72.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Other operating income	28.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
OPERATING EXPENSES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Personnel remunerations	34.9%	31.8%	26.7%	27.6%	27.6%	27.3%	25.3%
Marketing expenses	3.8%	3.4%	3.0%	2.7%	2.5%	2.6%	3.5%
Computer expenses	8.1%	6.2%	4.8%	4.2%	6.2%	4.9%	6.9%
Management expenses	39.9%	48.8%	57.1%	56.3%	55.0%	57.4%	57.3%
Depreciation during fiscal year	10.5%	7.7%	7.2%	7.8%	7.4%	6.5%	5.0%
Other operating expenses	2.8%	2.1%	1.3%	1.5%	1.4%	1.3%	1.9%

Bibliography

BENVIN, E., BERSTEIN, S., FUENTES, O., MIRANDA, J., TORREALBA, N. AND VERA, M., “Carteras Referenciales y Esquema de Premios y Castigos para los Fondos de Cesantía, Documento de trabajo N° 34, Superintendencia de Pensiones, september 2009.

BERSTEIN, S., CONTRERAS, C. AND BENVIN, E., “Valoración del Seguro de Cesantía en Chile: Simulación de beneficios con datos individuales”, Documento de trabajo N° 27, Superintendencia de Pensiones, december 2008.

BERSTEIN, S., FAJNZYLBER, E., GANA AND P., POBLETE, I., “Cinco Años de Funcionamiento del Seguro de Cesantía en Chile: Diagnóstico y Desafíos para su Perfeccionamiento”, Documento de trabajo N° 33, Superintendencia de Pensiones, december de 2007.

BEYER, H. “Seguro de desempleo: Elementos para la discusión”. Puntos de Referencia N° 222, Centro de Estudios Públicos, 2000.

BRAVO, D., RUIZ-TAGLE J. AND CASTILLO, J., “Informe Final: Estudio Actuarial de los Fondos de Cesantía 2005”, Documento de trabajo N° 22, Superintendencia de Pensiones, december de 2007.

CASTAÑEDA, PABLO Y FAJNZYLBER, E., “Reflexiones sobre la Política de Inversión de los Fondos de Cesantía”, Documento de trabajo N° 25, Superintendencia de Pensiones, Chile, may 2008.

CERDA, R. AND COLOMA, F., “Estudio Actuarial de los Fondos de Cesantía 2008”, Documento de trabajo N° 33, Superintendencia de Pensiones”, september de 2009.

CONSEJO BANCO CENTRAL DE CHILE, “Reglamentación Financiera aplicable a la Sociedad Administradora de Fondos de Cesantía, contemplada por la Ley N° 19.728, que establece un Seguro de Desempleo”, Ordinary Session N° 1489, 15 july 2009.

COLOMA, F. “Seguro de desempleo: Análisis y Propuestas”. Puntos de Referencia N° 221, Centro de Estudios Públicos, 2000.

COWAN, K. AND MICCO, A., “El Seguro de Desempleo en Chile: Reformas Pendientes”. Documento en Foco N° 53, Expansiva, 2005.

D.S. N° 150, de 2002, del Ministerio del Trabajo y Previsión Social y Ministerio de Hacienda, sobre Contrato de Administración del Seguro Obligatorio de Cesantía.

D.S. N° 214, de 2001, del Ministerio del Trabajo y Previsión Social y Ministerio de Hacienda, sobre Bases de Licitación Pública para el servicio de administración del Seguro Obligatorio de Cesantía establecido por la Ley N° 19.728.

D.S. N° 250, de 2001, del Ministerio del Trabajo y Previsión Social, Subsecretaría del Trabajo, sobre Reglamento del artículo 28 de la Ley N° 19.728.

D.S. Nº 49, de 2001, del Ministerio del Trabajo y Previsión Social, Subsecretaría de Previsión Social, sobre Reglamento de la Comisión de Usuarios del Sistema de Seguro de Desempleo.

ENGEL, E. "Seguro de cesantía. Algunos temas claves". Conferencia Superintendencia AFP. Santiago 7 de octubre 2005.

FAJNZYLBER, E. AND POBLETE, I., "Un Modelo de Proyección para el Seguro de Cesantía". Documento de Trabajo Nº 41, Superintendencia de Pensiones, may 2010.

INSTITUTO NACIONAL DE ESTADÍSTICAS, "Chile: Estimaciones de Población por Sexo, Regiones, Provincias, Comunas 1990-2005".

JOHNSON, C., ZURITA, S. AND MUÑOZ, A., "Informe Parte I: Evaluación de la Sustentabilidad del Seguro de Cesantía". 2004.

REYES, G., VAN OURS J. AND VODOPIVEC M., "Incentive Effects of Unemployment Insurance Savings Accounts: Evidence from Chile, Documento Nº40, Superintendencia de Pensiones, february 2010.

REYES, G., "Duración de las relaciones laborales de los Afiliados al Seguro de Cesantía: Análisis y Problemas Metodológicos". Documento de Trabajo Nº 11, Superintendencia de Pensiones, 2005.

SOCIEDAD ADMINISTRADORA DE FONDOS DE CESANTÍA DE CHILE S.A. "Estados Financieros Auditados de la Sociedad Administradora de Fondos de Cesantía de Chile S.A".

SOCIEDAD ADMINISTRADORA DE FONDOS DE CESANTÍA DE CHILE S.A. "Memoria Anual 2008".

SUPERINTENDENCIA DE PENSIONES, "Decreto Ley Nº3.500, de 1980; Reglamento del D.L. Nº 3.500 y D.F.L. Nº 101, Texto Actualizado a septiembre 2009".

SUPERINTENDENCIA DE PENSIONES, "Resolución Nº24 sobre Régimen de Inversión aplicable a los Fondos de Cesantía". 8 July 2009.

SUPERINTENDENCIA DE PENSIONES, "Ley 19.728", sobre Seguro Obligatorio de Cesantía, Texto Actualizado a mayo de 2009".

TARZIJEAN, J. AND PAREDES, R., "Organización Industrial", 1ª Edición, Prentice Hall, november 2001.

VODOPIVEC M., "Income Support for the Unemployed". Regional and Sectorial Studies, World Bank, 2004.

Glossary

AFC	:	Administradora de Fondos de Cesantía - Unemployment Fund Administrator
AFP	:	Administradora de Fondos de Pensiones - Pension Fund Administrator
BC	:	Banco Central de Chile - Central Bank of Chile
BNE	:	Bolsa Nacional de Empleo - National Employment Registry
CIC	:	Cuenta Individual por Cesantía - Individual Unemployment Account
CCR	:	Comisión Clasificadora de Riesgos - Risk Rating Committee
DL	:	Decreto Ley - Decree-Law
DNP	:	Declaración y No Pago - Declaration and Non-Payment
DNPA	:	Declaración y No Pago Automático - Automatic Declaration and Non-Payment
EPS	:	Entidad Pagadora de Subsidios - Subsidy Payment Entity
FC	:	Fondos de Cesantía - Unemployment Funds
FCS	:	Fondo de Cesantía Solidario - Solidarity Unemployment Fund
FONASA	:	Fondo Nacional de Salud - National Health Fund
INE	:	Instituto Nacional de Estadísticas - National Statistical Institute
IPC	:	Índice de precios al Consumidor - Consumer Price Index
OMIL	:	Oficina Municipal de Intermediación Laboral - Municipal Labor Mediation Office
SC	:	Seguro de Cesantía - Unemployment Insurance
SIL	:	Sistema de Información Laboral - Labor Information System
SP	:	Superintendencia de Pensiones - Superintendence of Pensions
UTM	:	Unidad Tributaria Mensual - Monthly Tax Unit
UF	:	Unidad de Fomento - Chilean Price Indexed Unit of Account