



Republic of the Philippines  
Department of Finance  
**INSURANCE COMMISSION**  
1071 United Nations Avenue  
Manila



<b>Circular Letter No.</b>	2018-65
<b>Date</b>	28 December 2018
<b>Supersedes</b>	None
<b>Amends</b>	CL No. 2015-58-A

## CIRCULAR LETTER

**TO : All Insurance Companies**

**SUBJECT : Guidelines on Pre-existing Condition, Look-back, Waiting and Free-look Period on Health Insurance Contracts**

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Pursuant to the powers vested in me by Section 437 of the Insurance Code, as amended by R.A. No. 10607, this Circular Letter on the Guidelines on Pre-existing Condition, Look-back, Waiting and Free-look Period on Health Insurance Contracts is hereby promulgated:

### Section 1. Rationale

1.1. Pre-existing condition is an injury, illness, or disease that affects the insured before the effectivity of a health insurance contract. Pre-existing condition is normally excluded in the health insurance contracts to cope with the adverse selection by potential customers and to lower the premium of the contract.

1.2. Adverse selection or antiselection is defined as the tendency of individuals who believe they have a greater-than-average likelihood of loss to seek insurance protection to a greater extent than do other individuals. This may create a situation where people who believe they are in poor health are more likely to apply for life and health insurance than people who believe that they are in average or good health. Hence, an individual's demand for health care service is positively correlated with the individual's risk of loss.

1.3. Some claims were denied due to pre-existing condition, which is an exclusion in the contract, to the dissatisfaction of the consumers who may not have had full

understanding of the provision on pre-existing conditions and its impact when the contract was sold.

1.4. Consumers, however, at the time of their application for such contracts, should be informed of the existence of exclusion of pre-existing condition through its inclusion in sales proposal, marketing materials and brochures that contain the benefits of the contract being sold.

1.5. This Circular Letter is being issued to provide guidelines to insurance companies in the application of pre-existing condition as exclusion in health insurance contract.

## **Section 2. Coverage**

2.1. This Circular applies only to health insurance contract that contains exclusion from coverage of disease or illness based on or considered as a pre-existing condition (hereinafter called "contract") issued by insurance companies.

2.2. Specifically, this Circular Letter covers the following contracts:

- a) The contract that contains a provision that covers specific disease or illness, but contains exclusion on the disease or illness, although an insured disease or illness, it is considered pre-existing condition.

To illustrate, Product A expressly covers hospitalization expense incurred due to hypertension, but excludes the claim based on hypertension considered as pre-existing condition.

- b) The contract that covers generally diseases or illnesses, but provides a provision excluding claim based on pre-existing condition.

To illustrate, Product B covers hospitalization expense due to diseases, but excludes claim on pre-existing condition.

- c) The contract that covers generally diseases or illnesses, and provides exclusion to named disease or illness and to disallow claim based on pre-existing condition.

To illustrate, Product C contains provisions similar to Product B, but provides exclusion to some diseases such as cancer, ulcer, and heart attack.

2.3. Even if the above coverage is included as a rider or endorsement in the main contract, the insurance company should comply with the requirements of this Circular.

2.4. The contract should clearly provide the definition of pre-existing condition, which could either be a "prudent person standard" definition or an "objective standard" definition.

An objective standard definition of pre-existing condition counts only those conditions for which the member actually received medical advice, diagnosis, care or treatment prior to enrollment as pre-existing condition. In a prudent person standard definition, pre-existing conditions include those conditions that were never diagnosed, but caused symptoms for which an ordinarily prudent person would have sought medical advice, care, or treatment.

2.5. An insurance company may, however, stipulate that a pre-existing condition that was disclosed by the insured or covered individual and accepted by the insurance company may be covered.

### **Section 3. Free-Look Period (Cooling-off Period)**

3.1. A free-look period refers to the number of days provided in the contract pursuant to this Circular, which starts from the time of the receipt of the contract by the policyholder until the last day of the period provided herein, that the consumer may return or cancel the contract, and if ever payment was made, the amount paid as premium shall be returned in full to the consumer.

3.2. The free-look period is intended for those who disagree with the contract conditions after receiving it, such as the presence of pre-existing condition exclusion and other exclusions after reading and evaluating the contract, or those who change their mind in buying the contract.

3.3. All contracts covered by this Circular Letter are required to have a free-look period of not less than fifteen (15) days for contracts with effectivity period of more than six (6) months, and not less than five (5) days for contracts with effectivity period of six (6) months or less but longer than thirty (30) days.

3.4. For group contract, the free-look period is not mandatory; however, the parties to such group contract may agree on the inclusion of the free-look provision.

It is understood that the group contract holders who negotiated and accepted the group contracts in behalf of its members or employees have full knowledge and understanding of its contents.

### **Section 4. Look-Back and Waiting Periods**

4.1. Look-back period refers to the period in the past in which the condition or disease existed. Contracts with exclusion on pre-existing condition are required to have a maximum look-back period of two (2) years from the effectivity of the contract. It means that any pre-existing injury, disease or illness that existed, happened or occurred beyond, or earlier than, the look-back period cannot be used as a ground to deny the claim for being based on pre-existing condition.

4.2. Waiting period is a period of time after the effectivity of the contract which must pass before some or all of the health care services or a select list of disease or illness start getting covered under the contract.

4.3. The waiting period on benefits of pre-existing condition in the contract should not exceed one year from the date of effectivity of the contract. Renewal contract of a previous contract with one year or more effectivity period, or continuous coverage exceeding one year, shall no longer contain an exclusion on pre-existing condition for such previously covered disease or illness. For newly covered disease or illness, the one-year maximum waiting period for such disease or illness applies.

4.5. The requirements on the waiting and look-back periods do not apply to critical illness insurance and disability income insurance; However, the contract shall provide the required free-look period. As used in this Circular:

A. Critical illness insurance is a form of coverage where the insurance company guarantees to pay the policyholder a pre-determined lump sum or cash payment if the insured is diagnosed with a critical illness, which is listed in the policy.

B. Disability income insurance refers to the provision of benefits by the insurer that replace part of the insured's income when he or she becomes unable to work due to an illness or injury.

## **Section 5. Font Size**

Pre-existing condition and exclusion provisions in the contract should have at least a font size of Arial 10, and should not be smaller than the font size primarily used on the other provisions of the contract.

## **Section 6. Disclosure**

In order to be transparent with the provision on pre-existing condition as an exclusion prior to the execution of the contract, the insurance companies are required to include in their sales proposal, marketing materials and brochures which contain the benefits of the contract, the information that the contract or product contains an exclusion on, or is subject to the provision on, pre-existing condition, and the right to free-look period.

## **Section 7. Transitory Provisions**

No contract, marketing material, or brochure shall be issued after December 31, 2019 without complying with the provisions of this Circular Letter. Contracts issued on or before December 31, 2019 shall continue to be enforced or in effect beyond the period of compliance. Contract form incorporating only the requirements of this



Circular and submitted to the Insurance Commission for approval on or before June 30, 2019 shall be exempt from the payment of filing fee.

#### **Section 8. Separability Clause**

If any provision of these Guidelines or any part hereof be declared invalid or unconstitutional, the remainder of the Guidelines or other provisions not otherwise affected shall remain valid and subsisting.

#### **Section 9. Effectivity**

This Circular Letter shall take effect immediately.

  
**DENNIS B. FUNA**  
Insurance Commissioner

