

Press Release



SUPERINTENDENCIA
VALORES Y SEGUROS

SVS ISSUES NEW RULES FOR IMPROVING INFORMATION AND PURCHASE OF HEALTH AND MASS INSURANCE

- ***Insurance companies are obligated to communicate the effect of pre-existing conditions declared at the moment of purchasing an insurance policy. If they do not inform the policyholder of this, they will not be able to restrict coverage for these types of situations.***
- ***The SVS looks to improve information provided to the client at the beginning of the contract and to avoid situations in which the policyholder finds him or herself with unspecified conditions that limit coverage at the moment the claim is filed.***
- ***Customers have a period of 5 business days to cancel any voluntary insurance plans offered when applying for a loan.***
- ***These regulatory changes, which go into effect on December 1, 2009, apply to the entire insurance market, including companies, brokers and distribution channels, such as banks and department stores.***

In order to simplify the offering process, to guarantee every person's right to information in order to make clear decisions according to his or her needs and interests, and to improve transparency in the purchase of mass insurance, the Superintendencia de Valores y Seguros (SVS) issued five rules today aimed at improving the purchase of health, life and disability insurance, as well as the associated coverage.

During the last ten years, the penetration of insurance has allowed a large number of people to access different types of coverage. According to information sent by insurance companies to the SVS, as of this past June there were more than two million life, health and disability policies in the market. Nonetheless, this massification and the frequency of complaints made it necessary for the SVS to review current regulations in order to provide greater protection for policyholder rights.

These changes are the result of a period of analysis and dialogue with the private sector over a period of 7 months, including two phases in which rules were published for market comment. At the same time, in December 2008, the SVS issued a letter to the Self-Regulation Council for Insurance Companies, in which it emphasized the importance of tackling topics related to health insurance.

The five changes, which will go into effect on December 1, 2009, are the following:

1. New system for applying pre-existing conditions

Given the difficulties regarding pre-existing conditions in life, disability and health insurance, the SVS resolved to modify [General Rule No. 124](#) of 2001, giving greater clarity to coverage restrictions for pre-existing conditions, and establishing greater requirements during underwriting.

The new rule requires the insurance company to include within the policy a personal health declaration regarding any pre-existing diseases or conditions that could result in coverage limitation or exclusion. **If the company does not collect this information regarding the policyholder, it may not restrict coverage for these types of situations.**

Also, the regulatory change establishes that the policy must **clearly state the restrictions and limitations of coverage**, according to the declaration made by the policyholder, and the latter must **provide explicit consent** (in writing) to the application of these limitations.

2. More information for health insurance policies

[The second rule](#) seeks to improve the information received by health insurance customers, regarding the difficulties associated with catastrophic insurance (that cover the reimbursement of medical expenses that exceed a high deductible), due to the complex information associated with this type of coverage. This change was created alongside the Superintendencia de Salud (of Health Care).

In the sale of these health insurance plans, insurance companies must provide clear information about the following:

a) That the insurance plan does not substitute coverage given by ISAPRE or FONASA, and does not necessarily cover the same features, and

b) Details about the insurance plan, such as: policy term, possibility of renewal and the conditions for renewal, changes in the price of insurance, under which cases it will be paid and the requirements for requesting payment.

3. Greater clarification in the underwriting of insurance policies associated with financial products

As a third measure, the SVS [modified Circular No. 1759](#), which gives instructions regarding policyholder information and assistance with regards to group insurance policies.

Through this modification, **insurance companies must give the client a separate and independent proposal or insurance application, apart from other operations, business or associated products, and limit its content exclusively to coverage purchased by the policyholder.**

The objective of this regulation is for the policyholder to be able to differentiate between different financial products offered to him or her, as well as to have a clearer idea about the specific conditions (such as cost and coverage) of the voluntary insurance plan being offered.

4. Conditions for cancelling group insurance policies

The fourth change is a [modification to Circular No. 1457](#), which establishes the information conditions that must be included in group insurance policies and publicity about them.

This modification seeks to avoid cases of purchasing unsolicited insurance. To this effect, **consumers have a period of five days following their purchase to cancel voluntary insurance plans offered in conjunction with loans.** Additionally, in cases in which the policyholder joins a group insurance policy, that is, those arranged between an insurance company and an entity or company for its clients or employees, these clients or employees must be specifically informed of this situation.

5. Cancellation of insurance offered by phone

The fifth modification is a [change to Circular No. 1587](#) regarding the promotion and offering of insurance via telemarketing (telephone sales).

The objective of this rule is to reinforce information on the customer's right to cancel the contract. To this effect, **the new regulation indicates that the right to cancel must be clearly stated for the client, along with the insurance policy, and the period for exercising this right is 5 business days.**

Santiago, August 5, 2009.