

Motor Vehicle Insurance Law (Insurance in Regulated Competition Conditions, Arrangements in the Transition Period and Instructions for the Avner matter), 1997

Section A: Interpretation

1. Purpose:

The purpose of this law is to determine that insurers dealing in motor vehicle insurance will act, at the end of the transition period, in regulated competition conditions, to set conditions for authorization for insurers as stated, in the transition period, and to determine a reasonable arrangement for the application of the Compensation to Victims of Road Accidents Law, 1975 and instructions of the Motor Vehicle Insurance Ordinance (revised version), 1970¹.

2. Definitions:

In this law –

“Avner” – Association for the Insurance of Motor Vehicle Accident Victims, Ltd.;

“The Pool” – The Israel Pool for Motor Vehicle Insurance by the Association of Insurance Companies in Israel, that administers the co-insurance for motor vehicle users, who didn’t acquire insurance coverage directly from insurers in Israel;

“Agreements” – The agreements between Avner and any insurer and anyone of them in the Pool, as they were immediately preceding the beginning of the Motor Vehicle Insurance Law (Temporary Order), 1996;

“The Ordinance” - Motor Vehicle Insurance Ordinance (revised version), 1970;

“The Authority”, “The Insurer” – as per their meaning in the Ordinance.

¹ Revised version 1633 (31.7.1997), pg. 205.

Amendments: 1/22 (4.1.2000), pg.58;

1770 (28.12.2000), pg. 108 (1808, 2000, pg. 570);

1786 (4.4.2001), pg. 228 (no. 2)

**Section B: Insurance in Regulated Competition Conditions and
Arrangements in the Transition Period**

3. Conditions for Authorization in the year 1997:

In the period from 1 August 1997 until 31 December 1997, authorization (as per Section 7 of the Ordinance), will be viewed as contingent that the insurer, that received the authorization to act by virtue of it, will be a party to the Agreements.

4. Conditions for Authorization from 1998 until 2002 and Instructions beginning in the year 2003:

(a) In the period from 1 January 1998 until 31 December 1998 the instructions of Paragraph 3 will apply, however -

(1) Every insurer including the Pool, will share in the indemnity according to the policy that will be issued in the stated period, at the rate of 20 percentage points of the rate that it bore immediately preceding the beginning of the stated period within in the framework of dividing the indemnity between it and Avner according to the Agreements;

(2) The rate of dividing the indemnity as mentioned in clause (1), will apply, in the matter of each insurer separately, also within the framework of dividing the indemnity between Avner and the Pool.

(a1) In the period from 1 January 2000 until 31 December 2000, the instructions of Paragraph 3 will apply, however -

(1) Every insurer including the Pool, will share in the indemnity according to the policy that will be issued in the stated period, at the rate of 60 percent within in the framework of dividing the indemnity between it and Avner according to the Agreements;

(2) The rate of dividing the indemnity as mentioned in clause (1), will apply, in the matter of each insurer separately, also within the framework of dividing the indemnity between Avner and the Pool;

(a2) In the period from 1 January 2001 until 31 December 2001, the instructions of subsection (1a) will apply, however – the rate of indemnity, including the Pool, as stated in subsection (1) of the same subparagraph will be 70 percent.

(a3) In the period from 1 January 2002 until 31 December 2002, the instructions of subsection (1a) will apply, however – the rate of indemnity, including the Pool, as stated in subsection (1) of the same subparagraph will be 80 percent.

(b) On policies issued beginning on 1 January 2003, the Agreements between Avner and any insurer and between Avner and the Pool will not apply.

5. Instructions in the matter of co-insurance and the main insurer

Notwithstanding what is stated in any law, the instructions of the Agreements in the following matters will apply to each person, in every way and matter –

- (1) the status of every insurer or the Pool as the main insurer, in co-insurance with Avner;
- (2) division of indemnity in co-insurance.

6. Cancellation of Authorization

The Authority is authorized to cancel authorization according to what is stated in Paragraph 7(b) of the Ordinance, also when the insurer ceases to fulfill the conditions Paragraphs 3 and 4 that apply to the insurer.

7. Changes in Agreements

Any change in the Agreements requires approval of the Authority.

8. Advancing the dates

The Minister of Finance, in accordance with the recommendation of the Authority and confirmation of the Parliament finance committee, is empowered to decree that an insurer's indemnity will exceed the rate set in Paragraph 4 on condition that the rate of dividing indemnity will be uniform for all the insurers, and also to advance the date determined in this law.

9. (cancelled)

10. Amendment to Compensation to Victims of Road Accidents Law – No. 13

In the Compensation to Victims of Road Accidents Law, 1975, Paragraph 17 is cancelled.

Section C: Instructions for the Avner matter

10a. Definitions

In this Chapter -

“The Commission” - as per its meaning in Paragraph 14, and if a commission is not established as stated – the Parliament finance committee;

“Founding documents” - Memorandum and Articles as they are defined in the Companies Law, 1999;

“Kranit” - Fund that was established in accordance with Paragraph 10 of the Compensation to Victims of Road Accidents Law, 1975 (hereinafter: “Compensation Law”);

“Claim” - as per its meaning in Paragraph 10e(a).

10b. Avner management and its activity

(a) Avner will manage and operate according to the instructions in this Chapter for the advancement of the goals of the Law, in order to meet all its obligations legally, safeguarding its properties, and with the goal that these properties will be used exclusively for coverage of its liabilities and daily management of Avner subject to Paragraphs 10e(b) and 10e(c), for the purpose of an orderly transition to the management of the special manager as stated in Paragraph 10d.

(b) As if 1 January 2003 Avner will not deal directly or indirectly, with any matters that are not related to claims settlements.

(c) Without derogating from the instructions of Paragraph 11a of the Ordinance, Avner will transmit all data in its possession to the data pool that was established by virtue of the said paragraph, and this is by decree of the Authority, in accordance with its instructions and without payment.

10c. Attendant Controller

(a) The Authority is authorized to appoint for Avner an Attendant Controller (hereinafter: “Attendant Controller”), who will supervise over Avner’s income and expenses system from any source whatever, according to instructions that it will receive from the Authority; Avner will bear the expenses of employment of the Attendant Controller.

- (b) As of the appointment date of the Attendant Controller, Avner will not be charged in any way for monetary liabilities in excess of NIS 40,000 without the advance approval of the Attendant Controller; in this context, “monetary liabilities” – excluding payment for claims settlements.
- (c) Every Avner management functionary must provide the Attendant Controller with all information and documents that he requires for executing his job.
- (d) The Attendant Controller is authorized to decree a Board of Directors meeting for matters that he deems worthy and to participate in the meetings of the Board of Directors and its committees as an observer.

10d. Special Manager

- (a) As of 1 January 2003 The Authority will appoint for Avner, with the approval of the Secretary of Finance, a Special Manager; three months after appointment of the Special Manager, the employment of the Attendant Controller will be terminated.
- (b) The Special Manager will have all the authorities given to him in the Control on Insurance Business Law 1981 (hereinafter: “Control Law”), for the authorized manager as per its meaning in Chapter G of the afore-mentioned law, and the instructions of any applicable law in the manner of the authorized manager will apply with the necessary changes in the matter of the Special Manager.

10e. Avner Properties and Obligations

- (a) Without derogating from the instructions of Paragraph 4(b), the Agreements will continue to be in force and to obligate the parties to them. With respect to claims for policies that were issued prior to the date stated in that Paragraph and the instructions, Paragraph 5 will apply in the matter of these claims.
- (b) In spite of what is stated in any law and subject to the instructions of subsection (c) any surplus of Avner property or any liability balances of any kind, will be transferred to Kranit; when liability balances are transferred as stated, the instructions of subsection (a) will apply to Kranit as if it were Avner.

- (c) The transfer of properties and liabilities as mentioned in subsection (b) will be on the date set by the Minister of Finance according the Authority's recommendation providing one of the following conditions is met:
- (1) Liabilities of Avner are in excess of its properties;
 - (2) There is a suspicion that difficulties in Avner's management and administration could hinder achieving the goals of this law.
 - (3) The scope of Avner activities does not justify the continuance of its existence.
- (d)(1) When the transfer of Avner properties and liability balances are transferred to Kranit, the Ministry of Finance will make an announcement in the registries and in two daily newspapers that the transfer was done as mentioned and that Avner is about to be liquidated in a period of not less than 30 days;
- (2) If a petition to prevent the closing up of Avner is not filed in the period mentioned in clause (1), the Minister of Finance will confirm that Avner has no other properties or liabilities and should be liquidated; when a confirmation as stated is given, the Registrar of Companies will delete Avner from its listing and Avner will be liquidated, for every subject and matter without a liquidation order, in spite of what is stated in the Companies Ordinance (Revised version), 1983 (hereinafter: "Companies Ordinance"); the legal status of the Avner liquidation will be the same as the deletion of a company according to the Companies Ordinance;
 - (3) When Avner is liquidated according to the instruction of this subsection, its authorization and insurance license that were given to it according to the Ordinance and the Control Law are void.
- (e) The Minister of Finance, with the approval of the Commission, is authorized to set an amount in New Shekels that Avner will transfer to Kranit, from time-to-time, providing the following conditions are met:
- (1) According to Avner's financial statements, the equity is at least six percent of the contingent claims against it; in this matter, "contingent claims" is as it is defined according to Paragraph of the Control Law;
 - (2) All the amounts that are transferred according to this paragraph to Kranit, will be used for the reduction of the rate or amount that was set according

to Paragraph 15 of the Compensation to Victims of Road Accidents Law, 1975.

- (f)(1) Avner shareowners will not exercise their rights by virtue of their shares except in accordance to the instructions in its Founding Documents, which were approved by the Authority;
- (2) In spite of the instructions of Paragraph 58 of the Companies Law, 1999, the authority for the appointment of Avner's auditor as stated in Paragraph 57(3) of that law will be done by the Board of Directors, and it will be determined by Authority approval, in the Avner articles, that other authorities given to the General Meeting, all or in part, will be granted to the Board of Directors;
- (3) Avner will not file a claim against any one of the Avner shareowners on 1 January 2001 in connection with its being a shareowner.

10f. Founding Documents and their non-inclusion

- (a) Avner's Founding Documents do not have the power to derogate from the instructions of this Law.
- (b) The instructions of the Government Companies Law, 1975, will not apply to Avner.
- (c) The instructions according to Paragraph 35 of the Control Law will not apply to Avner.

Section D: Other Instructions

11. Amendment to the Motor Vehicle Insurance Ordinance – No. 10

In the Motor Vehicle Insurance Ordinance (revised version), 1970:

- (1) In Paragraph 7, after subsection (b) will be inserted:
 - (c) An authorization in accordance to this paragraph will be seen as conditional that the insurer that received the authorization and operates by virtue of it, will also operate according to the Arrangement for insurance for all motor vehicle users who were not able to purchase policies directly from an insurer, as will be determined by the Minister of Finance, with the

approval of the Parliament finance committee, and all of this, according to the terms and tariffs that will be set according this Paragraph.

(d) The mechanism for setting the insurance tariffs for motor vehicle users who were not able to purchase policies directly with an insurer in the framework of the Pool as per its meaning in the Motor Vehicle Insurance Law (Temporary Order), 1996, or in accordance with the instructions of subsection (c), will be set by the Minister of Finance, according to data about risks in the motor vehicle insurance industry, and in accordance with the rules that will he will set with the approval of the Parliament finance committee;

(2) After Paragraph 11 will be inserted:

11a. Data Pool

(a) The Minister of Finance, in consultation with the Ministry of Justice and the Ministry of Transportation, is authorized to set instructions about the establishment and management of a data pool that will serve to estimate the cost of risks in the motor vehicle insurance industry; data according to this paragraph will be submitted to the Authority, as is requested.

(b) The regulations according to this paragraph will include, among others, instructions regarding:

(1) Obligation of the insurer to submit information to the data pool, and with the condition that the information will not include any identifying details of the insured or information about their religion, nationality or ancestry;

(2) Information data that will be submitted from the insured to the insurer for the purpose of the insurer fulfilling its obligation according to this paragraph.

12. Safeguarding the Law

The instructions of this Law will not derogate from the authorities of the Authority according to any law.

13. Execution and Regulations

- (a) The Minister of Finance is responsible for the execution of this law, and he will compose regulations for its execution with the approval of the Parliament finance committee.
- (b) The regulations according to Paragraph 11a of the Ordinance, as they are worded in Paragraph 11(2) of this law, will be amended within in a year of their beginning.

14. Reporting

The Minister of Finance will report during the transition period, every three months from the beginning of this law, to the joint committee of the Law and Justice legislative committee and the Finance Committee in the Parliament, on its preparations for execution of this law including:

- (1) Establishment of a data pool according to Paragraph 11a of the Ordinance and its management;
- (2) The variables that affect, according to the data pool, the risks in the industry;
- (3) Insurance companies' preparations for operating in regulated competition conditions.

In this matter, "Transition period" is the period that concludes on the date set in Paragraph 4(b).

14a. Setting variables

The Authority with the approval of the Commission as per its definition in Paragraph 10a, will set the variables as stated in Paragraph 14(2), according to which the insurance tariffs will be set.

15. Transition order

If a policy was issued by an insurer before the beginning of the law, and will be in force in the period between 1 August 1997 and 1 October 1997, and in which it says that the insurer bears full indemnity, the instructions of this law will apply according to it the rates of indemnity participation in Paragraph 3.

16. Beginning date of the Law

The beginning date of this law is 1 August 1997; however the beginning date of Paragraphs 10, 10b(c) and 11(1) of this law is 31 August 2001 or an earlier date that will be determined according to Paragraph 8.

	Binyamin Netanyahu Prime Minister	Yaakov Ne'man Minister of Finance
Ezer Weizman President	Dan Tichon Chairman of the Parliament	

Note: In any case of discrepancy between this translation and the original document in Hebrew, the original will govern.