

**CONTROL OF  
FINANCIAL SERVICES  
(INSURANCE) LAW  
5741-1961**

**UP-TO-DATE CONSOLIDATED ENGLISH TRANSLATION**

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# CONTROL OF FINANCIAL SERVICES (INSURANCE) LAW 5741-1961

## CHAPTER ONE: INTERPRETATION

### Definitions

1. In this Law -

"means of control", in body corporate, each of the following:

- (1) the right to vote at a general meeting of a company or at a corresponding body of another body corporate;
- (2) the right to appoint a director of a body corporate, and for this purpose -
  - (1) whoever appointed a director shall be deemed to have the right to appoint him;
  - (2) it is assumed that a body corporate, an officer of which was appointed director of another body corporate, and whoever controls that body corporate, have the right to appoint him;
- (3) the right to share in the profits of the body corporate;
- (4) the right to the surplus assets of the body corporate at its liquidation, after discharge of its liabilities;

"yield dependent insurance" - an insurance program, under which the insurance benefits, to which the beneficiary is entitled, depend on the yield produced by certain of the insurer's investments;

"institutional body" - an insurer and a management company;

"holding" or "acquisition" - whether alone or with others, whether directly or indirectly, also through an agent or trustee or through a controlled body corporate;

"Commissioner" - the Commissioner of Insurance within the meaning of the term in section 2;

"Committee" - the Advisory Committee set up under section 4;

"the Council" - the Advisory Council set up under section 6;

"yield dependent obligation" - an insurer's obligation under yield dependent insurance, according to which the insurance benefits to which the beneficiary is entitled depend on the yield produced by certain of the insurer's investments;

"management company", "insurance fund", "provident fund", "pension provident fund", "central provident fund" and "veteran fund" - as defined in the Control of Provident Funds Law;

"Companies Law" - the Companies Law 5759-1999;

"Pension Counseling and Marketing Law" - the Control of Financial Services (Pension Counseling and Pension Marketing) Law 5765-2005;

"Control of Provident Funds Law" - the Control of Financial Services (Provident Funds) Law 5765-2005;

"Penal Law" - the Penal Law 5737-1977;

"together with others" - together with others in regular cooperation; without derogating from the generality of the aforesaid, in respect of an individual regular cooperation shall be deemed to exist between the

individual, his relative and a body corporate that either of them controls, and in respect of a body corporate - between that body corporate, whoever controls it and whomever one of them controls;

"investment counselor" - as defined in the Regulation of Investment Counseling, Investment Marketing and Portfolio Management Law 5755-1995;

"pension counselor", "pension counseling" and "pension marketing" - as defined in the Pension Counseling and Marketing Law;

"insurer" - a person who received an Israeli insurer's license under section 15(a)(1) or a person who received a foreign insurer's license under section 15(a)(2);

"officer" - as defined in the Companies Law and every employee directly subject to him, as well as a member of the committee for yield dependent investments and of the committee for investments that are not yield dependent, within their meaning in section 41E;

"insurance agent" or "agent" - a person who received an individual agent's license under section 25 or who received a corporate agent's license under section 26;

"insurance business" - entering into insurance contracts by way of business, other than giving a warranty for a commodity or for a service incidental to some other main business of the person who gives the warranty; for this purpose, "entering into a contract" - includes offering to enter into a contract and also entering into a contract otherwise than for the purpose of profit;

"relative" - spouse, sibling, parent, descendent, spouse's descendent or a spouse of any of these;

"control" - the ability, whether alone or with others, to direct the activity of a body corporate, other than the ability that stems only from holding the position of director or of another officer in the body corporate; without derogating from the generality of the aforesaid, a person shall be deemed to control a body corporate if one of the following holds true for him:

- (1) he holds half or more of a certain kind of means of control in the body corporate;
- (2) he is able to prevent the adoption of business decisions in the body corporate, other than decisions to sell, liquidate or substantively change most of the business of the body corporate;

"banking corporation" - as defined in the Banking (Licensing) Law 5741-1981;

"provident fund regulations" - the Income Tax Regulations (Rules for the Approval and Management of Provident Funds) 5724-1984.

## **CHAPTER TWO: COMMISSIONER OF INSURANCE, ADVISORY COMMITTEE AND ADVISORY COUNCIL**

### **Commissioner of Insurance**

2. (a) The Capital Market, Insurance and Savings Commissioner in the Ministry of Finance shall be the Commissioner of Insurance.
- (b) The Commissioner may - for the exercise of his responsibility and after consultation with the Committee - issue instructions about the way insurers and insurance agents, their officers and their employees shall operate and be managed, all in order to assure their orderly operation and the protection of the interests of insured persons or of clients, and in order to prevent any detraction from an insurer's ability to meet his obligations; aforesaid instructions may be issued for all insurers or insurance agents or for certain categories of them.
- (c) The Committee for the purposes of subsection (b) shall be composed as said in section 4(b), except for the jurist said in paragraph (1) of that section and the member said in paragraph (3) of that section, and the quorum at its meetings at discussions for the purposes of subsection (b) shall be three committee members.

### **Deputy Commissioner**

3. The Minister of Finance may, if he deems it necessary, appoint a Deputy Commissioner of Insurance from among State employees; the Minister of Finance may also confer on the Deputy Commissioner any power vested in the Commissioner by this Law.

### **Advisory Committee**

4. (a) The Minister of Finance shall appoint an Advisory Committee, to advise the Commissioner on insurer licenses and insurance agent licenses under this Law, and on any other matter, as required under this Law and under any other statute.
- (b) The Committee shall have five members, to be appointed from among the general public and from among State employees, and the following provisions shall apply to the composition of the Committee:
  - (1) one of the Committee members shall be a jurist appointed with the consent of the Attorney General, and he may be a State employee or appointed from among the public;
  - (2) Committee members appointed from the public shall not engage insurance business, provident funds or pension counseling or marketing, and they shall number no fewer than three and no more than four;
  - (3) one of the Committee members said in paragraph (2) shall be one of the following, as the case may be:
    - (a) for Committee discussions about insurance agents - a former insurance agent;
    - (b) for Committee discussions about insurers - a former officer of an insurer;

- (c) for Committee discussions about insurers who were given a license said in section 15(a1) - a former officer of a said insurer;
- (4) the other Committee members said in paragraph (2), other than the jurist, if he was appointed from the public, shall be economic personalities or staff members or former staff members of institutions of higher education, who are experienced or educated in the field of insurance or provident funds.
- (c) The Minister of Finance shall appoint one Committee member to be Committee chairman, and one to be deputy chairman; the chairman and his deputy shall not be State employees.
- (d) The Committee shall convene at the request of the Committee chairman or at the request of the Commissioner, and its agenda shall include any matter within its authority, which the chairman or the Commissioner requested.
- (e) Three Committee members, including the chairman or deputy chairman and the jurist, shall constitute a quorum at its meetings.

#### 5. Repealed

#### **Advisory Council**

- 6. (a) An Advisory Council shall be set up to advise the Minister of Finance and the Commissioner on any matter related to insurance brought before it by the Committee or placed on its agenda on the proposal of one of its members.
- (b) The Council shall have fifteen members, whom the Minister of Finance shall appoint; insurers, insurance agents and the insured shall be represented on the Council; three of them shall be members of the Advisory Committee said in section 4; insurance agents shall be represented by three representatives of the organization in which the largest number of insurance agents in Israel are organized; at least eight Council members shall be persons who are not engaged in the insurance business; at least eight Council members shall be persons who are not State employees.
- (c) The Council shall elect one of its members to be chairman and another member to be deputy chairman; one of these shall not be a State employee.
- (d) Six Council members, including the chairman or deputy chairman, shall constitute a quorum at its meetings.
- (e) Committee members who are not Council members may participate in Council meetings without voting rights.
- (f) The Council may appoint permanent or ad hoc committees from among its members.

#### **Publication in Reshumot**

- 7. (a) Notice of the appointment of the Deputy Commissioner and of a conferment of power under section 3 shall be published in Reshumot.
- (b) Notice of the appointment and termination of tenure of a

Committee member, Council member, chairman or deputy chairman shall be published in Reshumot.

**Period of Tenure**

8. (a) The term of tenure of a Committee or Council member shall be three years from the date of his appointment; however, three of those initially appointed as Council members shall be appointed for two years.
- (b) A Committee or Council member, whose term of tenure has ended, may be reappointed.

**Lapse of tenure**

9. (a) A Committee or Council member shall, in any of the following cases, cease to hold office before the expiration of his term of tenure:
- (1) he resigned by delivering a letter of resignation to the Minister of Finance;
  - (2) in the opinion of the Minister of Finance he is permanently unable to perform his functions;
  - (3) he was convicted of an offense which, in the opinion of Attorney-General, is heinous.
- (b) The term of tenure of a State employee, who was appointed Committee or Council member, shall lapse when he ceases to be a State employee.

**Procedure**

10. (a) The Committee and the Council shall prescribe the order of their work and deliberations, as far as those are not prescribed by or under this Law.
- (b) The decisions of the Committee and of the Council shall be adopted by a majority of members present and voting at the meeting, on condition that a quorum is present at the meeting when the decisions are adopted.
- (c) The Minister may prescribe that Committee or Council members, who are not State employees, shall be reimbursed by the Treasury for expenses involved in the performance of their functions.

**Saving of validity**

11. The existence of the Committee, the existence of the Council or of a committee thereof, their powers and the effect of their decisions shall not be affected because a member's place is vacant or because there was any defect in his appointment or continuation in office.

**Confidentiality**

12. No person shall disclose anything from proceedings of the Committee or of the Council or any material delivered to either, unless he was authorized to do so by the Minister of Finance or by the chairman; this provision shall not apply to hearings which the Committee or Council decided shall be open to the public.

## **CHAPTER THREE: LICENSING**

### **Article One: Branches of Insurance**

#### **Classification by branches**

13. Insurance business shall be classified by branches of insurance, which shall be determined by the Minister of Finance; notice of said determinations shall be published in Reshumot.

### **Article Two: Licensing of Insurers**

#### **Prohibition**

14. (a) No person shall engage in insurance, unless he holds a license under section 15 and in accordance with the conditions of the license.
- (b) An insurer shall engage only in the branches of insurance specified in his license.
- (c) If a person engages in insurance mainly abroad and only engages in reinsurance in Israel shall, for the purpose of this Law, not be deemed to be engaged in insurance for the purposes of this Law, unless he is a company incorporated in Israel.

#### **Insurer's license**

15. (a) The Commissioner may issue, at his discretion -
- (1) to a company, as defined in the Companies Law - an Israel insurer's license :
- (2) to a foreign body corporate registered in Israel, which engages in insurance in a foreign state and is subject to supervision by the authorities of the foreign state - a foreign insurer's license.
- (a1) The Commissioner shall issue a license to a company that intends to manage a pension provident fund that is not an insurance fund, only if - in addition to the condition in subsection (a)(1) - the condition specified in section 4(a)(4) of the Control of Provident Funds Law holds true for it, and on the following conditions:
- (1) its sole occupation is the management of pension provident funds that are not insurance funds, however -
- (a) it is not allowed to hold means of control in an insurer who received a license as said in this subsection;
- (b) it may hold means of control in a management company that is not an insurer as said in subparagraph (a) or in the agent of a body corporate who holds a license to engage in insurance branches approved by the Commissioner, subject to the conditions he approved, on condition that it holds all means of control in them;
- (2) in respect of a company that wishes to manage a veteran fund - it shall manage only the veteran fund, and in respect of a company that wished to manage another pension

provident fund - it shall not manage more than one fund that is entitled to an earmarked bond of the category "Arad"; for this purpose, "earmarked bond of the category "Arad"" - a nonnegotiable bond issued by the State of Israel only to pension provident funds, under the State Loan Regulations (Series of the Category "Arad") 5755-1995.

- (b) The branches of insurance in which the license holder is authorized to engage shall designate in the insurer's license.
- (c) Notice of the issue of an insurer's license and of the branches in which the insurer is authorized to engage shall be published in Reshumot.
- (d) The Minister may make rules on sole occupation, as said in subsection (a1)(1).

### **Application for license**

16. (a) An application for an insurer's license shall be submitted on a form prescribed by the Commissioner and shall also include the following data:
- (1) the branches of insurance for which the license is requested;
  - (2) details of the proposed insurance schemes and terms of insurance;
  - (3) details of the proposed insurance premium tariffs and of other payments to be collected from insured persons;
  - (4) specimens of policies, of insurance proposal forms and of other forms to be used by the applicant;
  - (5) particulars of the proposed reinsurance arrangements;
  - (6) a certified copy of the valid charter and by-laws;
  - (7) a list of the officers;
  - (8) a list of the holders of means of control, including officers and holders of their means of control, if they are bodies corporate, or the persons for whom they act as agents or trustees, if they are individuals;
  - (9) particulars on the applicant's financial means.
- (b) An application for a foreign insurer's license shall include, in addition to the data said in subsection (a), the data said in paragraphs (6) to (8) in respect of the body corporate which will represent it in Israel.
- (c) The Commissioner may require additional data and documents from the applicant, as he deems necessary in order to deal with the application.

### **Considerations in granting insurer's license**

17. (a) When he considers an application for an insurer's license, the Commissioner shall take the following matters into account:
- (1) the applicant's plans of operation and his prospects to implement them;
  - (2) the suitability of the officers of the applicant body corporate and - in the case of a foreign insurer - of its managers and representatives in Israel, to their functions;
  - (3) the financial means of the applicant body corporate;

- (4) the financial means and business background of the holders of means of control in the applicant body corporate;
  - (5) the applicant's plans on reinsurance and on the team of professional employees, and his prospects of implementing them;
  - (6) the contribution which granting the license will make to competition in the capital market and especially to competition in standards of service in the insurance industry;
  - (7) the government's economic policy;
  - (8) considerations of public welfare.
- (b) The Commissioner shall refuse to grant an insurer's license to a body corporate, which meets the conditions specified in section 15, only after he consulted with the Committee and the body corporate was given an opportunity to present its arguments before the Committee, in the manner it prescribed.

#### **Conditions of the license and their change**

18. Conditions and restrictions may be prescribed in an insurer's license, and conditions and restrictions prescribed in it may be changed and branches of insurance in which the license holder is authorized to engage may be added, on condition that said changes of conditions and restrictions - not at the insurer's request - shall be made in consultation with the Committee, after the insurer was given an opportunity to present its arguments to the Committee in the manner it prescribed.

Article Three (Sections 19 to 21): Repealed

#### **Article Four: Cancellation of Insurers License**

##### **Cancellation of insurer's license**

22. (a) The Commissioner may cancel an insurer's license - wholly or in respect of a particular branch of insurance - in each of the following cases:
- (1) the insurer requested that the license be cancelled;
  - (2) the insurer resolved on its voluntary winding-up;
  - (3) an order was made to wind up the insurer or to appoint a receiver for him;
  - (3a) one of the conditions for granting the license ceased to hold true for the insurer;
  - (4) the insurer violated a material condition of the license or a said condition ceased holding true for him;
  - (5) the insurer violated provisions of an enactment or an administrative order made under this Law, in a manner that impairs his credibility;
  - (6) two years passed since the license was issued and the insurer has not begun to conduct business on a scale which, in the Commissioner's opinion, justifies the insurer's

- continued holding of the license, or the insurer discontinued conducting business on the aforesaid scale during a period of two years;
- (7) cancellation of the license is justified by consideration of the interest of the insured public.
  - (b) The Commissioner shall cancel an insurer's license for the reasons said in subsection (a)(4), (5) or (7) only after consultation with the Committee and after the insurer was given a reasonable opportunity to present his arguments to the Committee in the manner it prescribed.
  - (c) Notice of the cancellation of an insurer's license shall be published in Reshumot.

### **Supervision over a body corporate whose license was cancelled**

- 23. (a) When a person's license has been cancelled, he shall comply with all provisions that apply to an insurer under this Law, as long as there are liabilities, which he incurred towards insured persons before the license was canceled.
- (b) The Commissioner may issue instructions to a person whose license has been canceled on the management of his business, to the extent he deems necessary in order to protect insured persons; aforesaid instructions shall not release the person whose license was cancelled from a liability incurred before the license was cancelled.

## **Article Five: Licensing of Insurance Agents**

### **Insurance agency**

- 24. (a) A person shall, by himself or through another, engage in insurance agency in Israel between any person and an insurer (hereafter: agency) only if he is one of those enumerated in paragraphs (1) and (2) below, and in accordance with the conditions specified in them:
  - (1) he holds a license under this Article - in accordance with the conditions of the license;
  - (2) he is a pension counselor - on condition that brokering is carried out as part of pension counseling and in continuation thereof, under a pension counseling agreement that accords with the provisions of the Pension Counseling and Marketing Law.
- (b) Provisions of this Law and provisions under the Insurance Contract Law 5741-1981 (in this subsection: Insurance Contract Law) which apply to insurance agents and to brokering for insurance purposes, shall apply, mutatis mutandis, to brokering by a pension counselor, as said in subsection (a)(2), unless any statute provides differently; however -
  - (1) the provisions of section 33(a) of the Insurance Contract Law shall not apply to brokering by a pension counselor;

- (2) provisions under this Law, which deal with the obligations of insurers in respect of an insurance agent's negotiations toward the conclusion of an insurance contract and in respect of the conclusion of the insurance contract shall not apply to brokering by a pension counselor;
- (3) a pension counselor shall be entitled to a commission, as defined in section 41(e), only from a client or from an insurer who was given a license according to the provisions of section 15(a1);

in this subsection -

"pension counseling agreement" - within its meaning in section 27 of the Pension Counseling and Marketing Law;

"client" - as defined in the Pension Counseling and Marketing Law.

### **Individual agent**

25. (a) The Commissioner may issue an insurance agent's license (hereafter: agent's license) to an individual.
- (b) An individual is qualified to receive an agent's license if he meets the following requirements:
- (1) he is an Israel resident;
  - (2) he is an adult;
  - (3) he has undergone a period of specialization and passed the tests;
  - (4) he was not convicted of an offense that - in the Commissioner's opinion - because of its nature, severity and circumstances makes him unfit to be an insurance agent.
- (c) The Commissioner shall not issue an agent's license to an individual, even though he is qualified -
- (1) if he was declared bankrupt and has not yet been released;
  - (2) if he was declared legally incompetent;
  - (3) if he is an investment counselor;
  - (4) if he is a pension counselor.
- (c1) The Commissioner may refuse to grant a license to an individual agent, even if he meets the conditions in subsection (b), if one of the following holds true for him:
- (1) an indictment for an offense said in subsection (b)(4) was brought against him and final judgment in his matter has not yet been pronounced, or a criminal investigation is in progress against him because of suspicions that a said offense was committed, on condition that the applicant was given an opportunity to present his arguments before the decision is made;
  - (2) after consultation with the Committee and after the applicant was given an opportunity to present his arguments to it in the manner it prescribed, the Commissioner concludes that there are circumstances because of which he is unfit to be an insurance agent, having taken the requirements of the profession into account.
- (d) The Minister of Finance may make regulations on the training, specialization and tests of insurance agents, on the provision of surety for their obligations and - with approval by the Knesset

Finance Committee - on exemptions from the obligation of specialization or of tests.

### **Corporate agent**

26. (a) The Commissioner may grant an agent's license to a body corporate.
- (b) An application for a license for a body corporate may be submitted by whoever meets the following requirements:
- (1) it is a body corporate lawfully registered in Israel;
  - (2) the name of the body corporate indicates that it engages in insurance agency;
  - (3) the persons engaged in agency in its name - and in the case of a partnership, all the partners who are not limited partners - are holders of agents' licenses;
  - (4) its business manager and every one of its office managers or branch managers hold agents' licenses and their main occupation is the management of the body corporate, the office or the branch.
- (c) The Commissioner shall not give an agent's license to a body corporate, notwithstanding its qualifications, if it is an investment counselor or a pension counselor.
- (d) When he is about to give an agent's license to a body corporate, the Commissioner shall consider, inter alia, the contribution giving the license will make to competition in the insurance sector and to the quality of service in it.
- (e) A decision by the Commissioner not to give an agent's license to a body corporate, even though the conditions said in subsection (b) hold true for it - other than a said decision because of the provisions of subsection (c) or of section 28A - shall be made after he consulted the Committee and after the applicant was given an opportunity to present his arguments to the Committee in the manner it prescribed.

### **Trainee agent**

27. (a) The Commissioner may, at his discretion, grant an Israel resident who has reached age eighteen, an insurance trainee's license for a period of not more than three years; the provisions of section 25(c) and (c1) shall apply to the grant of a trainee agent's license.
- (b) If a person received a trainee agent's license, then he may perform an act of agency, if his instructor approved the act in advance.
- (c) The provisions of sections 28, 29, 55 to 59, 85(c) and 99 shall also apply to a trainee agent.

### **License according to branches**

28. (a) (1) An agent's license is a license to engage in one of the following branches of insurance: pension insurance, marine insurance or general insurance, and an insurance agent's license may include more than one branch of insurance.
- (2) In an insurance agent's license for the general branch those

of the fields of general insurance shall be specified in which the agent may act.

- (3) In this section -
- "pension insurance branch" - engaging in insurance brokering in respect a kind of pension product; for this purpose, "kind of pension product" - as defined in the Pension Counseling and Marketing Law, with the following change: paragraph (8) of the said definition shall be read as if the closing section, beginning with "included in a provident fund", said "and also an insurance program with a savings component that was not approved as a provident fund, and an insurance program against accident, illness and disability risks;"
- "marine insurance branch" - engaging in brokerage of marine insurance;
- "general insurance branch" - engaging in brokerage of each of the following kinds of insurance:
- (1) insurance not included in the pension insurance branch and the marine insurance branch
  - (2) insurance against accident, illness and disability risks.
- (b) An insurance agent shall engage only in the branches of insurance specified in his license.

**Restrictions on the issue of insurance agent licenses in the pension branch**

28A. The Commissioner shall not give insurance agent licenses in the pension insurance branch, as defined in section 28(a), to an individual or to a body corporate that is one of the following:

- (1) a financial counselor;
- (2) an investment counselor;
- (3) an employee organization or an employer organization;
- (4) a banking corporation, other than a bank or a foreign bank said in section 271 of the Banking (Licensing) Law 5741-1981;
- (5) a person who controls one of those enumerated in paragraphs (1) to (4);
- (6) a person who holds more than 10% of a certain means of control in a pension counselor or in an investment counselor;
- (7) a person controlled by one of those enumerated in paragraphs (1) to (6);
- (8) a person employed by one of those enumerated in paragraphs (1) to (7);
- (9) a person, in whom one of those enumerated in paragraphs (1) to (3) or whoever controls one of them is an interested party, except for a person in whom a banking corporation is an interested party, even if the bank is a pension counselor or an investment counselor;
- (10) a consumers club; for this purpose, "consumers club" - a body corporate, partnership or organization, the purpose of which is to negotiate a contract with the supplier of a commodity or service in on behalf of its members.

**Canceling or suspending agent's license or making it conditional**

29. (a) In any of the following cases the Commissioner may cancel an agent's license, wholly or in respect of a particular branch of insurance, make it conditional for a period he shall set, add conditions to it or change any of its conditions:
- (1) the license holder applied to have his license cancelled;
  - (2) if the license holder is a body corporate, an order was made for its winding-up or for the appointment of a receiver for it, or it resolved on its voluntary winding-up, and - if the license holder is an individual - a receiving order or order to declare him bankrupt was made against him and he has not yet been released, or he was declared legally incompetent;
  - (3) the license holder violated a material condition of the license, or a said material condition ceased to hold true for him;
  - (4) the license holder violated the provisions of any enactment or the provision of an administrative order under this Law in a manner that impairs his credibility or his professional standing;
  - (5) the license holder violated an agreement said in section 30 in respect of the matters prescribed in or under the said section;
  - (6) he was convicted of an offense, which - in the Commissioner's opinion - by its nature, severity or circumstances makes him unfit to be an insurance agent, or an indictment was brought against him for a said offense and the judgment in his case has not yet been handed down;
  - (7) the Commissioner holds that there are circumstances, because of which he is unfit to be an insurance agent, taking the requirements of the profession into consideration.
- (b) An agent's license shall not be cancelled, unless the agent was given a reasonable opportunity present his arguments, and in respect of a license cancellation under paragraphs (4) and (7) - only after consultation with the Committee and after the agent was given an opportunity to present his arguments to it in the manner it prescribed.
- (c) If the Commissioner believes that the circumstances of the case and the public interests so require, then he may suspend an agent's license for a period of not more than thirty days; the Commissioner may, after the agent was given a reasonable opportunity to present his arguments, extend the period of suspension by an additional period of not more than 30 days.
- (d) If an agent's license was cancelled or suspended, then its holder shall immediately cease to engage in agency.
- (e) If the Commissioner found it necessary to do so in order to protect interests of insured persons, then he may order an agent whose license was canceled to work on the liquidation of his insurance business, as he shall direct.

**Agreement between agent and insurer**

30. An agent shall not act as agent between any person and an insurer, unless there is a written agreement between the agent and that insurer, the conditions of which also obligate the agent -

- (1) to hold money collected from insured persons in a separate account kept by him as trustee for the insurer, as the Commissioner shall order;
- (2) to transfer to the insurer - by the 15th of each month or by an earlier date ordered by the Commissioner in respect of certain insurance contracts, as he shall order - money collected from insured persons in the preceding month.

#### **Agency with foreign resident**

31. (a) No person shall engage in agency in Israel between a person who is not an insurer and a foreign resident or the agent of a foreign resident who does not hold a license under this Law.
- (b) The provision of subsection (a) shall not apply to agency in branches of insurance or categories of insurance designated by the Minister of Justice by order after consultation with the Committee; the provisions of section 96 shall apply to a person who engages in aforesaid agency.

### **Article Six: Control and Means of Control**

#### **Definitions**

31A. In this Article -

"earmarked bond" - each of the following:

- (1) a bond issued by the State of Israel under the Loans (Insurance Companies) Law 5723-1962;
- (2) a debenture guaranteed by the State of Israel, issued within the framework of linked life insurance agreements;

"life insurance" - as defined in section 54(e);

"substantive holding in the field of long term saving" - the control of a market share that exceeds 15% of the value of all long term saving assets; for this purpose the market share under the control of a person shall be calculated as the total value of long term saving assets managed by him and by all the institutional bodies under his control, and in respect of a person in control together with others, the total said asset value shall be taken into account separately for each of the controlling persons;

"insurer" includes a body corporate for which the following two conditions hold true:

- (1) it holds more than 50% of a certain category of means of control in a certain insurer;
- (2) more than 10% of all its assets are means of control in insurers or insurance agents;

"long term saving assets" - the assets specified below:

- (1) assets of provident funds, other than veteran funds and central provident funds;
- (2) the assets held by insurers as cover for yield dependent life insurance obligations;
- (3) the assets held by insurers to cover their obligations under life

insurance programs that give the insured an assured yield, and which do not entitle the insurer to earmarked bonds in respect of all or part of the money deposited in them;  
 "incorporated agent" includes a pension counselor that is a body corporate engaged in brokerage under section 24(2).

**Control and means of control in an insurer and in an incorporated agent**

32. (a) No person shall hold more than 5% of a particular category of means of control in an insurer, except under a permit issued by the Commissioner.
- (b) No person shall control an insurer or incorporated agent, except under a permit issued by the Commissioner;
- (b1) The considerations specified in section 17 shall be taken into account, mutatis mutandis, when issuing a permit under this section, including the applicant's suitability for controlling or holding a quantity of means of control, as requested, including his business experience, his affairs and his other businesses, his economic strength, his reliability, and also the possible implications of issuing the permit on the present or future control of the insurer or the incorporated agent; the fact that the applicant is a cooperative society shall not be taken into account among the considerations under this section.
- (b2) No permit to control an insurer shall be given, if - after the permit is given - the applicant will have a substantive holding in the field of long term saving.
- (c) A permit issued under this section is also in effect for every body corporate controlled by the holder of the permit.
- (c1) No person shall have a substantive holding in the field of long term saving, except because of one of the following:
- (1) a change in the market value of the long term saving assets managed by him or by institutional bodies under his control;
  - (2) a change in the value of all long term saving assets;
  - (3) insured persons or members, as defined in the Control of Financial Services (Provident Funds) Law, joined life insurance programs or provident funds in a manner that increases the long term saving assets managed by him or by institutional bodies under his control, other than persons who joined as aforesaid in consequence of an affiliation or merger with another institutional body.
- (d) The provisions of subsections (a) and (b) shall not apply -
- (1) to a person who holds means of control by virtue of a transfer by operation of Law;
  - (2) to a body corporate which acquired means of control from a person who controls it.
- (e) Repealed
- (f) The provisions of this section shall not apply to means of control in a body corporate that is a foreign insurer, unless the holder is an Israel resident.
- (g) The provisions of this section shall also apply to the holding of means of control in an insurer as collateral for a debt, other than aforesaid means of control intended in good faith to be collateral

for a debt, held by a banking corporation, when their amount in a certain client's securities account does not exceed 0.001% of that category of means of control.

**Transfer of means of control**

33. If a person holds means of control in an insurer body corporate or in an incorporated agent, then he shall not transfer them to another, if he knows that the other requires a permit under section 32 and does not have that permit.

**Cancellation or change of a permit**

33A. (a) The Commissioner may, after consultation with the Committee, cancel or change a permit that he issued under section 32, if he has reasonable grounds to believe that one of the following holds true:

- (1) the permit holder ceased complying with a substantive condition of the permit, or he violated a said condition;
  - (2) the permit holder has a substantive holding in the field of long term saving, not due to the causes enumerated in section 32(c1);
  - (3) the permit holder or an officer of it was convicted of an offense that, because of its nature, severity or circumstances justifies canceling or changing the permit;
  - (4) in respect of a permit holder that is a body corporate - a liquidation order was made or a receiver was appointed for its assets or for a substantive part thereof because of failure to pay a debt, and in respect of a permit holder who is an individual - a receivership order was made for him in bankruptcy proceedings or he was declared legally incompetent;
  - (5) there is real suspicion that the insurer's stability will be harmed, or that public welfare will be harmed if the permit is not canceled or changed.
- (b) The Commissioner shall not change or cancel a permit as said in subsection (a), unless the permit holder was given an opportunity to present his arguments to the Committee in the manner it prescribed and to correct the violation within a period of not less than thirty days to be set by the Commissioner.
- (c) (1) If an indictment was brought against a permit holder or against an officer thereof for an offense, and if - because of its nature, severity or circumstances - conviction would, in the Commissioner's opinion, justify canceling or changing the permit, then the Commissioner may - after consultation with the Committee and after the permit holder was given an opportunity to present his arguments to the Committee in the manner it prescribed - change the permit and prescribe in it provisions and conditions that shall apply during a period he shall set, and if a said indictment was brought against an officer of the permit holder - also to remove the officer from his position.
- (2) The provisions of paragraph (1) shall also apply when a

criminal investigation for an offense said in that paragraph was initiated against the permit holder or an officer, on condition that the Commissioner consulted with the Attorney General.

**The Commissioner's orders for whoever acted without a permit**

34. (a) If the Commissioner believes that a person acted as said in section 32 without a permit, then - in consultation with the Committee and after that person was given an opportunity to present his arguments to the Committee in the manner is prescribed - he may order -
- (1) that the all or part of the means of control held by that person be sold within a period he shall set, so that he will not hold means of control of any kind in excess of what he is allowed to hold without permit under section 33;
  - (2) that the voting rights or the right to appoint directors by virtue of the means of control held by that person under section 32 without a permit not be activated;
  - (3) that a vote by virtue of the means of control held by that person without a permit under section 32 not be included in the vote count at that vote;
  - (4) that the appointment of a director caused by that person be canceled.
- (b) If a person holds means of control in an insurer or in an insurance agent because of a transfer by operation of Law, then the Commissioner may - after he gave the holder an opportunity to present his arguments - order him to sell all or part of the said means of control, so that he will not hold means of control of any kind in excess of the amount permitted to be held without a permit under the provisions of section 32.
- (c) If the Commissioner ordered under subsection (b) that the means of control be sold, then he may give an order as said in subsection (a)(2) to (4), mutatis mutandis.
- (d) If the holder did not sell the means of control according to the Commissioner's order under subsections (a) and (b), then the District Court may - on the Commissioner's application - appoint a receiver for the sale of the said means of control.
- (e) Insurers and incorporated agents shall do their utmost to prevent any person from acting by virtue of means of control held in violation of the provisions of subsection (b) and of section 32.

**Reporting holdings of means of control**

- 34A. (a) If a person holds more than 5% of a category of means of control in an insurer or in incorporated agent, then on April 1 of each year and on other dates set by the Commissioner he shall give the insurer or the incorporated agent, as the case may be, a report of the said means of control that he holds and of other particulars, as the Commissioner shall prescribe, including the following particulars:
- (1) in respect of a holder that is a body corporate - who controls it, and also holders of more than 50% of a certain category

- of means of control in it;
- (2) the person for whom the holder acts as agent or trustee.
- (b) The Commissioner may prescribe that a holder of means of control, to whom the obligation to report applies, shall deliver the report also directly to the Commissioner.
- (c) The provisions of this section shall apply to a person who holds means of control in an insurer or in an incorporated agent as collateral for a debt, except for a holder that is a banking corporation.
- (d) In this section, "insurer" - as defined in section 1.

## **CHAPTER FOUR: CONTROL OF INSURANCE BUSINESS**

### **Article One: Restrictions on the Conduct of Business**

#### **Minimum Capital**

35. The Minister of Finance may prescribe - with approval by the Knesset Finance Committee, by regulations for all or for particular categories of insurers - provisions on the minimum issued and paid up share capital and on the minimum excess of assets over liabilities.

#### **Provisions on the conduct of business**

36. (a) The Minister of Finance may prescribe by regulations - in general or for categories of insurers, for all or for certain branches of insurance - provisions on -
- (1) the categories of assets which an insurer shall hold against different categories of his liabilities, and their ratio to liabilities;
  - (2) the way in which assets held by an insurer against liabilities must be held;
  - (3) the cases in which an insurer may invest in its subsidiary, in a holder of means of control in it, in another insurer or in an insurance agent;
  - (4) the insurer's obligation to hold insurance reserves and the methods for their calculation;
  - (5) carrying on business as an insurer abroad;
  - (6) the minimum proportion of risk to be borne by insurers in Israel;
  - (7) the maximum proportion of risk to be borne by an insurer;
  - (8) loans and guarantees which an insurer may give, and the amounts thereof.
- (b) Repealed
- (c) The Commissioner may, for special reasons which he shall specify, impose on a certain insurer for a specific period limitations in addition to those prescribed in regulations under subsection (a).

#### **Applicability of provisions for provident funds to yield**

**dependent insurance**

36A. The provisions of sections 31 to 36 of the Control of Provident Funds Law shall apply, mutatis mutandis, to yield dependent insurance and to the assets managed by insurers as cover for yield dependent obligations; the Minister of Finance may prescribe relaxations in respect of the applicability of the said sections to insurers - by way of determining changes and adjustments in the applicability of some or all of the said provisions to insurers, or by determining that all or some of these regulations not apply to them.

**Provisions on insurance premiums**

37. (a) The Minister of Finance may enact, by regulations for all or for particular branches of insurance, provisions on -
- (1) the rates of insurance premiums and other payments which an insurer may collect from insured persons, including maximum and minimum rates and the payment of premiums in installments;
  - (2) the obligation of an insurer who sets insurance premiums under a credit scheme to inform the insured person in advance, in a prescribed manner, of the insurance premiums on credit and in cash, of the annual interest rate included in premiums on credit, and of the amounts and times of the payment of premiums on credit.
- (b) Regulations under subsection (a)(1) require approval by the Knesset Finance Committee.

**Provisions on insurance terms**

38. (a) The Minister of Finance may prescribe - by regulations for all or for certain branches of insurance - provisions on conditions in insurance contracts and on their formulation; an arrangement in conflict with a condition that must be set under aforesaid regulations shall not be followed, and the condition required as aforesaid shall be deemed to have been stipulated instead, unless the arrangement is in the insured person's favor; this provision shall not derogate from the insurer's criminal responsibility.
- (b) Regulations under this section shall not contradict any provision that must not be stipulated under the Insurance Contract Law 5741-1981.

**Form of policy and prominence given to certain conditions**

39. (a) The Minister of Finance may prescribe - by regulations for all or for certain branches of insurance - provisions on the structure and form of an insurance policy, including the prominence to be given to certain conditions, as well as the minimum size and the manner of writing some or all of the letters in insurance policies.
- (b) The Commissioner may require an insurer to give special prominence to a certain detail in an insurance policy, as he may direct.

**Change of terms of insurance**

40. (a) If an insurer wishes to introduce an insurance scheme, the details of which were not submitted to the Commissioner under section

- 16, or to change insurance terms or the insurance premiums and other payments, about which the details were submitted to the Commissioner as aforesaid, then he shall submit notice to such effect to the Commissioner ten days before the change occurs.
- (b) In branches of insurance designated by the Minister of Finance for this purpose by order, an insurer shall not introduce any scheme or change said in subsection (a), unless the Commissioner so permitted.
  - (c) The Minister of Finance may, in an order said in subsection (b), designate categories of business or changes to which the obligation to obtain a permit does not apply, and also categories of business or changes in which the insurer may introduce schemes or changes said in subsection (a), if the Commissioner does not notify him of his opposition within thirty days after he received notice thereof.

#### **Obtaining business and commission payments**

41. (a) An insurer or insurance agent shall obtain insurance business through the agency of any person only if he holds an agent's license and there is a written arrangement between them, as said in section 30.
- (b) An insurer or insurance agent shall pay commission for agency between him and any person only to a person who holds an agent's license.
  - (c) The provision of subsection (b) shall not prevent the payment of commission to the heirs of a deceased insurance agent in respect of life insurance effected through him as a broker, or in respect of other types of insurance renewed within two years after the date of his death.
  - (d) The Minister of Finance may prescribe by regulations - in consultation with the Committee, generally or for certain categories of insurers or agents and for all or certain branches of insurance - provisions on the maximum commissions, which an insurer is permitted to pay to an insurance agent.
  - (e) For purposes of this section, "commission" - any commission, remuneration, participation in expenses and any benefit, all whether directly or indirectly.

### **Article One "A": Organs and Other Officers of Insurers**

41A. In this Article, "insurer" - other than a foreign insurer, unless the Minister provided otherwise and on the conditions he prescribed.

#### **Board of Directors of an insurer**

41B. At least seven Directors and no more than fifteen Directors shall serve on the Board of Directors of an insurer (in this Article: the Board of Directors).

#### **Applicability of provisions of the Companies Law**

- 41C. (a) The provisions of sections 94(a), 97, 100, 114 to 117, 119(a), 146 to 153, 219(c) and 269 of the Companies Law shall apply, mutatis mutandis according to the provisions of this Law, to insurers, as if they were public companies, and the provisions of subsections (a) and (b) of section 95 of that Law shall also apply to them, but for the present purpose those subsections shall be read without the words "except under the provisions of section 121(c)."
- (b) The Minister of Finance may, in consultation with the Minister of Justice, prescribe relaxations in respect of the applicability of the sections enumerated in subsection (a) to insurers, by way of determining changes and adjustments in the applicability of some or all of the said provisions to insurers, or by determining that all or some of these regulations not apply to them.

#### **Actuary and risks manager**

- 41D. (a) An insurer shall appoint an actuary for each branch of insurance in which the insurer engages, except for branches designated by the Commissioner, and one actuary may be appointed for several branches of insurance in which the insurer engages (in this Law: appointed actuary); the appointment of an appointed actuary and the termination of his service before the end of the term of his appointment shall require advance approval by the Board of Directors.
- (b) The responsibilities of an appointed actuary shall be at least as follows:
- (1) to recommend to the Board of Directors and to the General Manager the amount of the insurer's insurance obligations in the branches of insurance for which he was appointed, and in respect of an insurer that received a license said in section 15(a1) - on the actuarial balance sheet of the pension provident fund that it manages;
  - (2) to prepare or certify for the insurer any report, declaration or other document, which the insurer must submit under this Law and which the Commissioner prescribed that it be prepared or certified by the appointed actuary;
  - (3) to provide information and reports prescribed by the Commissioner to the risks manager appointed under subsection (c), for the exercise of the risk manager's

- responsibilities in respect of the insurance branches for which the actuary was appointed;
- (4) any other task ordered by the Commissioner.
- (c) Insurers shall appoint risk managers, and an insurer that received a license said in section 15(a1) shall also appoint a risk manager for every pension provident fund managed by the insurer, and one risk manager may be appointed for an insurer and several said provident funds; the appointment of a risk manager and the termination of his service before the end of the term of his appointment shall require advance approval by the Board of Directors.
  - (d) The responsibilities of a risk manager appointed as aforesaid shall be at least as follows:
    - (1) to advise the Board of Directors and the General Manager about the risks designated by the Commissioner that face the insurer, and if he is the risk manager of a pension provident fund, as said in subsection (c) - about the said risks that face the members of the provident fund;
    - (2) any other task ordered by the Commissioner.

#### **Investment Committees**

- 41E. (a) The Board of Directors shall appoint Investment Committees, as specified below:
- (1) an Investment Committee for the investment of the insurer's equity and for the investment of money to cover insurance obligations that are not yield dependent obligations (in this Law: Committee for Non-yield Dependent Investments);
  - (2) an Investment Committee for the investment of monies to cover the insurer's yield dependent obligations (in this Law: Committee for Yield Dependent Investments).
- (b) Persons who are not Directors of the insurer also may serve on the investment committees said in subsection (a).
  - (c) The provisions under section 11 of the Control of Provident Funds Law shall apply to the Committees for Yield Dependent Investments; the Minister of Finance may prescribe relaxations in respect of the applicability of all or part of the said section to insurers by way of determining changes and adjustments in the applicability of all or some of the provisions of the said section to insurers, or by determining that all or some of those provisions not apply to them.

#### **Rules for Boards of Directors, their Committees and Committees for Non-yield Dependent Investments**

- 41F. (a) The Minister of Finance may prescribe provisions on the following matters:
- (1) composition of the Board of Directors, and also the appointment of Board of Directors committees and of the Committee for Non-yield Dependent Investments (in this section: Investment Committee), the number of their members and their composition;
  - (2) qualifications of Directors, of Board of Directors committee

- members and of Investment Committee members, and the Minister of Finance may prescribe additional qualifications, including accounting and financial skills to be required of an outside Director and of certain members of the said committees;
- (3) restrictions on the appointment of Directors, Board of Directors committee members and Investment Committee members, including restrictions in respect of their other affairs;
  - (4) how Directors and Investment Committee members are appointed and provisions on the termination or lapse of their term of service;
  - (5) the quorum at meetings of the Board of Directors, of Board of Directors committees and of Investment Committees;
  - (6) the tasks of Investment Committees and the decisions that shall be adopted by a said Committee, including the decisions that are to be adopted by special procedures or by a special majority that is to be prescribed, as well as the times and events, when the Committee shall convene;
  - (7) subject to be discussed and decisions to be adopted by the Board of Directors or by one of its committees, and said decisions that are to be adopted by special procedures or by a special majority that is to be prescribed.
- (b) The Commissioner may order how the Board of Directors, Board of Directors Committees and Investment Committees are to function, to the extent that this was not prescribed by regulations under subsection (a).

### **Auditor**

- 41G. (a) An insurer shall appoint an auditor, and the provisions of sections 154 to 170 of the Companies Law shall apply to it, as if the insurer were a public company, subject to the provisions of this section and mutatis mutandis.
- (b) If, in the course of his work, the auditor learns of any substantive violation of any provision under this Law or of administrative orders made thereunder, then he shall give written notice thereof to the Audit Committee and to the Board of Directors and ask for the General Manager's reaction within the time he shall specify in the notice; if the General Manager's reaction is not received within the time set as aforesaid, or if - after he studied the General Manager's reaction - the Auditor is not convinced that the violation is not a substantive violation, then the Auditor shall - notwithstanding the provisions of any statute or agreement - give notice of the violation to the Commissioner, together with the General Manager's reaction, as far as that was received.

### **Qualifications**

- 41H. The Minister of Finance may prescribe qualifications for officers, General Managers, risks managers or actuaries of insurers, and also for persons who manage investments for or on behalf of insurers, and he may make provisions on additional activities during their terms of

service or their employment in aforesaid positions, and he may also set restrictions that shall apply to them at the conclusion of their service or employment, as far as that is required for the protection of insured persons.

**Preventing conflicts of interests**

- 41I. (a) No person shall be appointed Director, committee member, General Manager, officer or holder of any other position in an insurer, if his other positions or occupations create or are liable to create conflicts of interests with his said position, or if they are liable to diminish his ability to serve in that position.
- (b) The Minister of Finance may prescribe provisions, the purpose of which is the prevention of possible conflicts of interests of a Director, committee member, General Manager, officer or holder of any other position in an insurer, including provisions on other activities in which they must not engage or on acts that they must not perform, and also on declarations and reports that will be required of them.

**Approval of the appointment of an officer**

- 41J. (a) A person shall not serve as officer of an insurer, unless notice was given to the Commissioner at least sixty days before the term of service begins, and unless the Commissioner did not give notice during that period of his objection to the said appointment, or if he did give notice that he does not object to the appointment.
- (b) The Commissioner shall decide to object to an appointment only after he gave the candidate an opportunity to present his arguments, and for this purpose he shall take the candidate's suitability for the proposed position into account, including his business experience, honesty, integrity and his connections of any kind whatsoever with the insurer or with an officer of the insurer.
- (c) If an officer was appointed and if after the appointment additional or new particulars in respect of the considerations said in subsection (b) come to light, then the Commissioner may - after consultation with the Committee and after he was given an opportunity to present his arguments to it in the manner prescribed by it - order that his service be terminated because of the aforesaid additional or new particulars.
- (d) The provisions of this section shall also apply - mutatis mutandis - to the service of a Director of the insurer as chairman of its Board of Directors.
- (e) In this section, "officer" - a Director, General Manager and internal auditor, as well as persons designated by the Commissioner; for each insurer the Commissioner shall prescribe the appointment of which holders of positions in that insurer require approval, on condition that his determination not include more than seven holders of positions in the insurer.
- (e) In this section, "officer" - a Director, General Manager and internal auditor, as well as persons designated by the Commissioner; for each insurer the Commissioner shall prescribe to which positions in that insurer appointments require approval, on condition that his

determination not include more than the holders of seven positions in the insurer.

## **Article Two: Reports**

### **Reports and notices**

42. (a) Insurers and incorporated agents shall submit reports and notices to the Commissioner, as specified below:
- (1) financial reports to be prescribed by the Minister of Finance, at the times and for the periods he shall prescribe, or upon the occurrence of events he shall designate;
  - (2) immediate reports and notices, which the Minister of Finance shall prescribe, when an event he designated occurs;
  - (3) additional reports and notices, which the Commissioner shall prescribe.
- (b) The Commissioner make provisions on how reports or notices under this section are to be submitted, including their publication, format, contents, degree of detail and bookkeeping rules for the preparation of financial reports, including the declarations and explanatory notes that must be attached to them.
- (c) The Commissioner may, for reasons which shall be recorded, exempt an insurer or an incorporated agent from submitting a report or notice under this section, or extend the period for their submission.

### **Misleading particular in a report of notice**

- 42A. (a) There shall be no misleading particular in any report or notice submitted under section 42; the provisions of Chapter Five of the Securities Law shall apply, mutatis mutandis, to the publication of a misleading particular in any report or notice.
- (b) In this section, "misleading particular" - including anything liable to mislead a reasonable person and anything that is missing, which - because it is missing - is liable to mislead a reasonable person.

Sections 43 to 48: Repealed

### **Information from shareholders**

- 48A. (a) The protocol of a General Meeting of an insurer shall - in respect of its decisions specified below - specify the names of those present at the Meeting, the names of those voting, the amount of the holdings by virtue of which they voted and how they voted:
- (1) change of the memorandum and by-laws;
  - (2) the appointment or the termination of service of a Director;
  - (3) approval of acts or of transactions that require approval by the General Meeting under the provisions of section 255 and 268 to 275 of the Companies Law;
  - (4) distributions under Chapter Two of Part Seven of the

Companies Law;

- (5) approval of a merger under section 320 of the Companies Law.
- (b) The Commissioner may require of a person, who attended or voted at a certain General Meeting of an insurer, particulars of his identity, particulars of the identity of the person as whose agent or trustee he acts, and if it is a body corporate - particulars of those who control it.

### **Winding-up or bankruptcy**

49. If winding-up or bankruptcy proceedings were instituted against an insurer or insurance agent, then he shall notify the Commissioner of that without delay.

### **Delivery of information and documents**

50. (a) The Commissioner, or a person authorized by him for that purpose, may require every insurer or insurance agent and any of their officers to deliver to him any information or document that relates to insurance business handled by them, including statistical and actuarial reports, and to show him or his representatives any book, account, certificate or other document in their possession, which relates to their insurance business.
- (b) Repealed

### **Confidentiality**

- 50A. The Commissioner, any employee under him or whoever acts on his behalf shall not reveal any information and shall not show any document he was given by virtue of his position or his powers under this Law, unless it be for the purposes of a criminal proceeding, or if the Commissioner found it necessary for a discussion in the Committee.

### **Delivering information to a supervisory authority in Israel**

- 50B. (a) Notwithstanding the provisions of section 50A, the Commissioner may reveal information or show documents to the Securities Authority, within its meaning in section 2 of the Securities Law 5728-1968, and to the Supervisor of Banks who was appointed under the provisions of section 5 of the Banking Ordinance 1941 (in this section: the recipient body), on condition that he is satisfied that the information or the document is requested for the exercise of the recipient body's responsibilities.
- (b) No person shall disclose information or show a document delivered to him under the provisions of this section.

### **Delivering information to supervisory authorities abroad**

- 50C. (a) Notwithstanding the provisions of section 50A, the Commissioner may convey information or documents in his possession to the competent authority of a foreign country, which is responsible for supervising whoever engage in insurance or in insurance brokerage in that country.
- (b) The Commissioner shall convey information or documents under the provisions of subsection (a) only if he is satisfied that the

following two conditions have been met:

- (1) the documents and information were requested for the exercise of the competent authority's responsibility of supervising the bodies said subsection (a);
  - (2) the competent authority certified that an obligation of confidentiality, similar to the provisions of section 50A, applies to it, or it undertook not to transmit the information or document to others.
- (c) The Commissioner shall not convey aforesaid information or documents if it was determined that their delivery is liable to interfere with a pending investigation or with national security.

Sections 51 to 53 - Repealed

### **Article Three: Separation of Life Insurance Business**

#### **Separations of accounts and assets**

54. (a) If an insurer is authorized to carry on business in the life insurance branch, then he shall keep a separate set of accounts in respect of that business, hold separate assets to cover his life insurance liabilities and reinsure that business separately.
- (b) Assets and rights held to cover the liabilities of an insurer of life insurance and the reinsurance for those liabilities shall be used to cover the insurer's life insurance liabilities; if any assets remain after all the insurer's life insurance liabilities have been discharged, then they shall be used to cover the insurer's other liabilities.
- (c) The provisions of subsection (b) shall also apply in execution proceedings against an insurer and in winding-up proceedings of an insurer.
- (d) The Minister of Finance may, by regulations, prescribe provisions on the way accounts and assets shall be separated.
- (e) In this section, "life insurance" - insurance in which the insurance is the death of the insured person or of some other person, or their reaching a certain age or some other event in their life, including accident, sickness and disability insurance which is part of or a regular supplement of a life insurance policy.

## **CHAPTER FIVE: PROTECTING THE INTERESTS OF INSURED PERSONS**

### **Prohibition of misleading description**

55. (a) An insurer or insurance agent shall not give a misleading description of an insurance transaction, which is presented to a certain customer, and he shall not include a misleading description in a publication.
- (b) For this purpose, "misleading description" - any oral, written or printed description, which is liable to mislead in respect of any matter material to the transaction; without derogating from the generality of the aforesaid, the following shall be deemed matters material to a transaction;
- (1) the name, seniority, merits, reputation and financial condition of the insurer or insurance agent and the extent of his business;
  - (2) the nature of the insurance transaction, the extent of, restrictions on or preconditions for the insurance cover;
  - (3) the length of the insurance period, and the insured person's or the insurer's possibilities to terminate it;
  - (4) the insurance premiums and other payments to be paid by the insured person, including the maximum premiums permitted under a statute and the annual interest rate on the credit extended for their payment;
  - (5) the insurance premiums, compared with ordinary or normal premiums or those charged in the past, in respect of that insurer and other insurers;
  - (6) the conformity of the terms of the policy with conditions prescribed or approved under a statute or with the conditions of an indicated model policy;
  - (7) an opinion given by any person in respect of the transaction or the insurer.
- (c) It shall be a good defense for an insurance agent that, in giving a misleading description, he relied on a written description supplied by the insurer and that he did not know and could not know that it was misleading.

### **Responsibility for misleading description**

56. If any advertisement by an insurer or insurance agent contains a misleading description, then the person in whose name the advertisement was made and the person who transmitted the material for publication and thereby caused it to be published shall be deemed to have misled, and if the publisher, editor or printer or the person who actually decided upon the publication knew that the advertisement was misleading or if it is obviously misleading, then they also shall be deemed to have misled.

**Conditional insurance**

57. (a) An insurer or insurance agent shall not make insurance in a certain branch conditional on insuring in another branch or on the purchase of another service or of any commodity from him or from another person designated by the insurer or the agent, unless there is a reasonable business link between the desired insurance and the fulfillment of the condition.
- (b) Without derogating from other ways of proving that an aforesaid link is reasonable, an insurer may notify the Commissioner of a business strategy laid down by him, which makes the contracting of insurance dependent on a condition said in subsection (a); if the Commissioner, in consultation with the Committee, approves the said strategy, then the link between the desired insurance and the fulfillment of the condition shall be deemed reasonable, if it arises out of that strategy.

**Causing harm under special circumstances is prohibited**

58. An insurer or insurance agent shall not do anything - by act or omission, in writing, orally or in any other manner - which involves taking advantage of an insured person's distress, mental or physical weakness, ignorance, lack of knowledge of the language or inexperience, or which involves the exertion of unfair influence on him, all in order to effect an insurance transaction on unreasonable terms or in order to obtain a consideration that exceeds the accepted consideration.

**Transaction at a person's place of residence or employment**

59. (a) If an insurance agreement is made through an insurance agent while he approached the insured person at his place of residence or employment, without having been invited by him, then the insured person may cancel it within three business days after the day on which it was made.
- (b) If an insurance agreement is cancelled under subsection (a), then the insurer shall return to the insured person what he received under the agreement.
- (c) If an insurance agent approaches an insured person as said in subsection (a), then he shall explain to him his rights under this section; the Minister of Finance may prescribe particulars to be included in the explanation and the manner in which it shall be given.

**Action in an insurer's name**

- 59A. The provisions of section 54 of the Control of Provident Funds Law shall apply, mutatis mutandis, to an action in the name of an insurer for damage caused to assets it manages in order to cover yield-dependent obligations or for damage caused to persons insured under yield-dependent insurance.

**Investigation of complaints from the public**

60. (a) The Commissioner shall investigate any complaint from the public, which he deems to have some substance, about any act by an insurer or insurance agent in a matter of insurance; the provisions of Article Eight in the said Chapter shall also apply to complaints for discrimination because of a disability under Chapter Five "A" of the Equal Rights of Persons with Disabilities Law 5758-1998, and to other matters connected to their clients.
- (b) The Commissioner shall not investigate a complaint in a matter which a Court or arbitrator has begun to hear or which a Court or arbitrator has decided, except for special reasons that shall be recorded; however he may investigate a complaint in a matter in which an action was filed with a Court or arbitrator, but hearing of it has not yet begun.

**Ways of investigation**

61. (a) Complaints shall be investigated in any manner the Commissioner deems appropriate and he shall not be bound by provisions of the law procedure or by rules of evidence.
- (b) The Commissioner shall bring the complaint to the attention of the person against whom it was lodged, and he shall give him suitable opportunity to respond to it.

**Consequences of investigation**

62. (a) If the Commissioner finds that the complaint is justifies, then he shall so inform the complainant and the person complained against; the Commissioner may present the essence of his findings in his answer, and he may direct the person complained against to correct a defect brought to light by the investigation in a manner and within the time as he shall direct, either in respect of the case to which the complaint relates or in general.
- (b) If the Commissioner finds that the complaint is not justified or does not deserve investigation, then he shall so inform the complainant and the person complained against, and he may present the essence of his findings in his answer.
- (c) If the investigation gives rise to the suspicion that a criminal offense was committed, then the Commissioner shall bring the matter to the attention of the Attorney-General.

Chapter Five "A": Class Action (Sections 62A through 62J) - Repealed

## **CHAPTER SIX: LIQUIDATION OF INSURANCE BUSINESS**

### **Voluntary liquidation**

63. (a) If an insurer resolves to wind up or to liquidate his insurance business, in general or in respect of a certain branch of insurance, then he shall so notify the Commissioner without delay.
- (b) The Commissioner may, if he deems it necessary in order to safeguard the interests of insured persons -
- (1) direct the insurer to act in a certain way in liquidating the business;
  - (2) apply to the Court for an order that the winding-up shall be done by, or under the supervision of the Court.

### **Liquidation following cancellation of license**

64. (a) If an insurer's license has been cancelled, then he shall liquidate his insurance business in Israel in the branch in respect of which the license was cancelled.
- (b) The Commissioner may, if he deems it necessary in order to safeguard the interests of insured persons, direct an insurer whose license was cancelled to act in a certain way in liquidating the business.
- (c) If an insurer, whose license was cancelled, does not liquidate his business within a reasonable time, the Court may, on the Commissioner's application, appoint a receiver for all or part of the insurer's property, or it may order that the insurer be wound up.

## **CHAPTER SEVEN: MAINTAINING THE ABILITY TO MEET LIABILITIES AND PROPER MANAGEMENT**

### **Notice to insurer concerning defects**

65. (a) If the Commissioner believes that a certain insurer did business in a manner that may impair his ability to meet his liabilities or the proper management of his business, then he shall send a written notice to the insurer, specifying the defects and demanding that he correct them or that he prevent their harmful effects within a period stated in the notice, and he shall give the insurer an opportunity to submit - within the same or a shorter period, as he shall state in the notice - his comments and objections on the defects or on the demand for their correction.
- (b) When the insurer has submitted comments and objections as said in subsection (a), then the Commissioner shall decide about them as soon as possible after their receipt, and he shall inform the insurer of his decision, and if he demands that he correct the defects or that he prevent their harmful effects, then he shall prescribe the period within which the insurer must do so.

**Power of Commissioner to determine bad debts**

66. (a) When the Commissioner believes that all or part of a certain debt owed to an insurer is a bad debt, or that any asset of an insurer is entered in his books in an amount greater than the price obtainable for it at that time at a sale by a willing seller to a willing buyer, then he may direct the insurer to allocate to an appropriate fund the amount required for that matter.
- (b) A direction under subsection (a) shall be treated like a notice under section 65.

**Means to prevent adverse effect**

67. If, after end of the period stated in a notice under section 65, the Commissioner concludes that the insurer did not correct the defects of which he was notified under section 65, or did not prevent their harmful effects, or if - after he gave the insurer an opportunity to submit his comments and objections or to have them heard - he concludes that measures must be taken to prevent the insurer from becoming unable to meet his liabilities or from causing harm to persons insured by him or to holders of means of control in him, then he may - after consultation with the Committee -
- (1) instruct the insurer to refrain from categories of acts stated in the direction, other than the discharge of liabilities;
  - (2) prohibit the distribution of dividends or profits or the grant of benefits to Directors or managers or other employees of the insurer or to insurance agents.

**Authority to maintain an insurer's stability**

68. (a) If, after consultation with the Committee, the Commissioner concludes that a certain insurer cannot meet his liabilities or that his officer acted in a manner that is liable to impair the proper management of his business, then - after the insurer was given a reasonable opportunity to submit his arguments or to have them heard by the Committee - he may give the insurer any of the instructions specified in section 67, and he may - with approval by the Minister of Finance -
- (1) suspend or restrict the authority of an officer or of any other employee of the insurer;
  - (2) suspend an officer of the insurer for a period he shall prescribe, or remove him from his position after he was given an opportunity to present his arguments;
  - (3) appoint an administrator to manage the insurer's business as said in section 70, and appoint a management committee for the insurer to advise the administrator; the management committee shall have three members, at least one of them a retired judge;
  - (4) appoint a special supervisor for the insurer, in order to supervise his management, as said in section 71.
- (b) If, under the circumstances of the case, the Commissioner concludes that the public interest requires that an act under subsection (a) be done without delay, then he may - with approval by the Minister of Finance - act immediately, on condition that he

bring the matter before the Committee as soon as possible after the act is done and that it give the insurer a reasonable opportunity to submit his arguments or to have them heard.

### **Saving of acts**

69. If an act toward another party was carried out - in violation of a direction given under section 68 - by an insurer or by a person whose power to act was suspended or restricted, or by a person who was suspended or removed from his position under a said instruction, then it shall not be void for that reason alone.

### **Powers of administrator**

70. (a) An administrator appointed under section 68(a)(3) shall manage the business of the insurer in accordance with directions which he shall receive from the Commissioner.
- (b) Without derogating from the provision of subsection (a), the administrator shall have all the powers and tasks of a business manager, of the Board of Directors, of the committees of the Board of Directors and of the Directors of the insurer under its charter and by-laws and under the resolutions duly adopted by it; as long as the administrator holds his position, the Board of Directors and its committees and members shall not perform their functions or exercise their powers.
- (c) The administrator is competent - after consultation with the management committee and with approval by the Minister of Finance - to transfer all or part of the assets and liabilities of the insurer to another insurer who consented thereto.
- (d) The Commissioner may direct the insurer to pay remuneration and expenses to the administrator, as the Commissioner shall determine; if the administrator is a State employee, then the Commissioner may direct that the remuneration be paid to the State Treasury.

### **Arrangement scheme**

- 70A. (a) An administrator appointed under section 68(a)(3) may draw up a plan (hereafter: arrangement scheme) for the discharge of the insurer's liabilities toward insured persons, beneficiaries and third parties according to insurance contracts, and toward other creditors of the insurer (hereafter: entitled parties); an arrangement scheme may include different rates of payment and payment dates in accordance with orders of preference.
- (b) An arrangement scheme shall define categories of entitled parties and set uniform payment rates and payment dates for entitled parties in each category; in determining the categories of entitled parties and of the order of preference, it is permissible to prefer entitled parties whose claims are for bodily harm over entitled parties whose claims are for property damage, and individual entitled parties over entitled parties who are bodies corporate; it is also permissible to prefer entitled parties according to the degree of damage and their ability to bear it, all according to criteria that shall be specified in the arrangement scheme.

- (c) An arrangement scheme may include rules for classification and preference in addition to those stated in subsection (b), if it is just to do so under the circumstances of the case.
- (d) An arrangement scheme requires approval by a District Court; when weighing the approval of an arrangement scheme, the Court shall also weigh whether it will benefit all insured persons to a greater extent than some other method, and whether it is just and proper under the circumstances of the case; the Court may approve the arrangement scheme as submitted to it, or with changes which it deems appropriate.
- (e) A proposed arrangement scheme submitted to the Court, as well as an approved arrangement scheme, shall be made public in a form and manner which the Court shall prescribe; if a person deems himself injured by an aforesaid proposal or by the manner in which an approved scheme is being implemented, then he may apply to the same Court.
- (f) The Court may, within the framework of an arrangement scheme and on application by the administrator, order that proceedings in progress against the insurer or against his assets - including execution proceedings, attachments, realization of a guarantee and receivership - be stayed and that said proceedings not be initiated, and it may also issue instructions on any other matter that relates to implementation of the arrangement scheme.
- (g) If the administrator informed the Court that the arrangement scheme, which he is drawing up, cannot as yet be presented to the Court for reasons stated by him, and that he does intend to submit it to the Court for approval within the time stated by him, or if he submitted an arrangement scheme to the Court and the Court has not yet ruled on the application for its approval, then the Court may - on application by the administrator - order that proceedings be stayed and that proceedings not be initiated, or it may issue instructions on some other matter, all as said in subsection (f), until its decision on the application is handed down or until a date set by it.

#### **Special supervisor**

71. (a) A special supervisor appointed under section 68(a)(4) shall supervise the activities of the insurer's Board of Directors and the management of his business in accordance with instructions from the Commissioner.
- (b) The Commissioner may permit the special supervisor to employ other persons in order to perform his functions.
- (c) The Commissioner may direct the insurer to pay the special supervisor and the persons employed by him remuneration and expenses, as the Commissioner shall direct; if the special supervisor or the persons employed by him are State employees, then the Commissioner may direct that the remuneration be paid to the State Treasury.

#### **Management committee**

72. (a) A management committee appointed under section 68(a)(3) shall

advise the administrator in the performance of his functions under section 70.

- (b) The administrator shall be the chairman of the management committee.
- (c) The Commissioner may direct the insurer to pay members of the management committee remuneration and expenses, as the Commissioner shall direct; if the members of the management committee are State employees, then the Commissioner may direct that the remuneration be paid to the State Treasury.
- (d) If a management committee was appointed, then it shall approve the insurer's balance sheet and it shall appoint an auditor for the insurer, as if it were a general meeting.

### **Giving information**

73. If directions were issued under section 68, then every officer of the insurer - whether or not a direction suspending or restricting his powers, removing him from his position or suspending him from office was issued against him - and every other person employed by the insurer shall - at the request of the administrator, the special supervisor or a person appointed by either of them - give him or his agents any information, book, certificate or other document which - in the opinion of the person who makes the request - is likely to ensure or facilitate implementation of an instruction issued under section 68.

### **Discontinue discharging liabilities**

74. (a) The administrator may, with approval by the Commissioner, direct that - within a period of not more than ten days after the day of his appointment under section 68(a)(3) - the insurer not discharge liabilities, the due date of which falls within or before the said period.
- (b) The Commissioner may extend the period said in subsection (a) by an additional ten days, if he gave notice under section 75 that he intends to cancel the insurer's license, and if the period during which the Board of Directors may submit its arguments has not yet passed, or if the Court has not made a winding up order for the insurer or a receiving order for its assets.
- (b1) The Commissioner may extend the period said in subsection (b) by an additional sixty days, if that is necessary for the preparation of an arrangement scheme, on condition that the Court has not made an order to wind up the insurer or a receiving order for its assets.
- (c) The administrator shall publicize a direction issued under subsections (a) or (b), as soon as possible after its issue, in at least two daily newspapers published in Israel.
- (d) The insurer, the administrator or the Commissioner shall bear no responsibility for the issue of a direction under this section or for the non-discharge of a liability under such a direction.

### **Notice of intention to cancel license**

75. If the Commissioner proposes to cancel the license of an insurer for whom an administrator was appointed, then he shall give the insurer's

Board of Directors a reasonable opportunity to submit its arguments to the Committee or to have them heard by it.

**Power to guarantee**

76. (a) The Minister of Finance may, with approval by the Government, give notice in Reshumot, that an insurer who consented thereto and was so empowered by the Minister of Finance or the Government (hereafter: the guarantor insurer) will guarantee -
- (1) liabilities towards persons insured by an insurer for whom a direction under section 68 was issued, either in respect of the full amount of the liabilities or up to a specific amount for each liability of categories of liabilities designated in the notice;
  - (2) all or part of other categories of liabilities of an insurer said in paragraph (a), on condition that -
    - (a) he concluded that the public interest so requires;
    - (b) no guaranty be thereby given for all of an insurer's liabilities, unless the Minister of Finance believes it reasonably possible that the provision of such a guaranty will enable the insurer to continue to conduct his business in an orderly manner.
- (b) A Government guaranty under subsection (a) requires approval by the Knesset Finance Committee.
  - (c) A guaranty under subsection (a) may be for a limited or an unlimited time, and it may be conditional or unconditional, all as specified in the notice.
  - (d) When an aforesaid notice has been published, then the guaranty shall be in effect as said in the notice, even if the guaranteed insurer did not consent to the guaranty being given: and the guarantor insurer may at any time recover from the guaranteed insurer any amount paid by it by virtue of the guaranty.
  - (e) Notwithstanding any stipulation to the contrary in any agreement which he contracted, the guaranteed insurer may enter into an undertaking towards the guarantor insurer in respect of the guaranty given under subsection (a) and of its terms.
  - (f) If the Minister of Finance, with approval by the Government, decided to cancel the guaranty given under subsection (a), then he shall give notice of the cancellation and of its date - not sooner than ninety days after the day on which the notice is published - in Reshumot and in at least two daily newspapers, and from that date and thereafter nobody shall be entitled to claim discharge of a liability from the guarantor insurer; however, if a person is entitled to have a liability of the guaranteed insurer discharged after the date of the cancellation and if that liability existed when the guaranty was in effect, then he shall be entitled to be paid by the guarantor insurer or to bring action against him within thirty days after the day set for the discharge of that liability, and if the guarantor insurer paid, then the provisions of subsection (d) shall apply.
  - (g) A guaranty under this section shall be treated like a guaranty under the Guaranty Law 5727-1967.

**Restriction on winding up, appointment of receiver and execution**

77. (a) If the administrator issued a direction under section 74, then a Court shall not make a winding up order or a receiving order for the insurer in respect of whom the direction was issued, and the insurer or any meeting of his shareholders or other holders of rights in him shall not pass a resolution for voluntary winding-up, and no receiver shall be appointed for him either on behalf of debenture holders or of any other person, and his assets or rights with any other person shall not be attached, and no execution proceedings shall be instituted or continued against him, as long as the direction under section 74 is in effect, except on an application submitted by the Attorney-General or with his written consent.
- (b) When an administrator has been appointed, then - as long as the appointment of the administrator is in effect - the Court shall not hand down a winding-up order or a receiving order for the insurer on application by one of the holders of means of control in him, and the insurer or any meeting of holders of means of control in him shall not adopt a resolution for voluntary winding up.

**Restrictions on resolutions of a meeting**

78. A resolution of a meeting of holders of means of control in the insurer, which is inconsistent with the provisions of section 67 to 77 or with any act or direction issued under them, shall be of no effect.

**CHAPTER SEVEN "A": VETERAN PENSION FUNDS -  
APPOINTMENT OF A SPECIAL ADMINISTRATOR,  
REHABILITATION PROGRAMS AND GOVERNMENT AID**

**Article One: Interpretation**

**Objectives of the Chapter**

- 78A. The objective of this Chapter is to deal with the actuarial deficit of the veteran pension funds, in order to achieve their actuarial balance through changes in the entitlements and obligations of the members and the provision of Government aid that will enable them to pay pensions to their members, all while taking the national economy's capability into account and while creating uniformity in the system of entitlements.

**Interpretation**

- 78B. (a) In this Chapter -  
 "the Public Commission" - the Commission appointed under section 78C;  
 "the Commissioner" - even if he acted by virtue of his authority under the Provident Fund Regulations or the Control of Provident

Funds Law;

"collective agreement" - within its meaning in the Collective Agreements Law 5717-1957;

"obligations of the veteran fund" - including obligations liable to accrue to the fund in the future;

"uniform by-laws" - the by-laws, which the Superintendent will prescribe under section 78I;

"Government Companies Law" - the Government Companies Law 5735-1975;

"Management committee" - a management committee appointed under the provisions of section 78D(b);

"actuarial balancing mechanism" - rules prescribed in the by-laws of a veteran fund under instructions and conditions by the Superintendent, which will adjust the rights of all fund members from time to time, so that the actuarial balance will be preserved;

"special administrator" - a person appointed under section 78D(a);

"assets of veteran fund" - including assets likely to accrue to the fund in the future;

"actuarial surplus", "actuarial deficit" and "actuarial balance" - a positive or negative differential or equilibrium, as the case may be, between the veteran fund's total assets and the veteran fund's total obligations, as determined on the actuarial balance sheet drawn up according to the Provident Fund Regulations and subject to the Superintendent's instructions, and if provisions were made under section 42, as made applicable in section 40 of the Control of Provident Funds Law - according to those provisions;

"pension provident fund" - an insurer who was given a license as said in section 15(a1);

"deficit fund" - a veteran fund that is not a plant fund, the actuarial deficit of which exceeded 10% of the fund's total obligations on December 31, 2001, and which is listed in Part One of Schedule One;

"plant fund" - a veteran fund, the by-laws of which restrict admission to it to the employees of a certain employer, and which is listed in Part Two of Schedule One.

- (b) Every other terms in this Chapter shall have the meaning it has in the Control of Provident Funds Law, unless there is a different provision in this Chapter.

## **Article Two: Public Commission**

### **Public Commission**

78C. (a) The Government shall appoint a Public Commission, which shall propose to the Superintendent candidates for the positions of special administrators and of members of management committees, and perform any other task imposed on it under this Chapter.

- (b) The Public Commission shall have five members, as follows:
- (1) a judge proposed by the Minister of Justice after consultation

- with the President of the Supreme Court, who shall serve as chairman of the Commission;
- (2) three members, who are economic personalities or staff members of institutions of higher education, in fields related to the implementation of this Chapter;
  - (3) a representative of employees or a representative of members, selected from lists to be prepared by employee organizations.
- (c) A person shall be qualified to be appointed member of a Public Commission if the conditions said in section 24(c) of the Government Companies Law hold true for him.
  - (d) The provisions of sections 17 and 17A of the Government Companies Law shall apply, mutatis mutandis, to the appointment of Public Commission members, and also a person shall not be appointed Commission member if he or his relative has a personal, business or political link to any Government Minister or to his relative.
  - (e) A Public Commission member shall be appointed for a period of five years from the day of his appointment, and he may be reappointed.
  - (f) A majority of Public Commission members constitutes a quorum at its meetings.
  - (g) Decisions of the Public Commission shall be adopted by a majority; in case of a tie vote, the chairman of the Commission has a casting vote.
  - (h) The Public Commission's powers and the effect of its acts shall not be impugned by the fact that a member's place fell vacant, or because of any fault in his appointment or continued service.
  - (i) The members of the Public Commission must act loyally to the State, in good faith and diligently, as a reasonable person would act in that position and under those circumstances in order to comply with the provisions of this Chapter and the attainment of its objectives.
  - (j) The Public Commission shall be subject to audit by the State Comptroller; this provision shall not derogate from other powers of the State Comptroller.

### **Article Three: Special Administrator and Management Committee**

#### **Appointment of special administrators and management committees**

- 78D. (a) (1) The Superintendent shall - on proposal by the Public Commission - appoint a special administrator for each veteran fund, other than a veteran fund for which the conditions in section 78P hold true, and he may appoint one special administrator for several or all funds.
- (2) A person who meets the conditions said in section 24(c) of the Government Companies Law is qualified to be appointed special administrator, if he undertakes to devote most of his

- time to his responsibilities as special administrator and to engage in any other pursuit only with the Superintendent's consent.
- (3) The provisions of sections 17 and 17A of the Government Companies Law shall apply to the appointment of special administrators, mutatis mutandis, and also a person shall not be appointed special administrator if he or his relative has a personal, business or political link to any Government Minister or to his relative.
  - (4) A special administrator shall not - within one year after he concluded his service - serve as officer of any pension fund or of a body corporate controlled by a pension provident fund, and he shall not be employed as employee, as holder of any other position or as consultant of a pension provident fund or of a body corporate controlled by a pension provident fund; for this purpose, "control" - as defined in the Securities Law 5728-1968.
- (b)
- (1) On the proposal of the Public Commission the Superintendent shall appoint a three member management committee for every veteran fund for which an special administrator was appointed under the provisions of subsection (a), and he may appoint one management committee for several or all funds.
  - (2) The members of the management committee shall be as follows:
    - (a) two economic personalities or staff members of institutions of higher education, in fields related to the implementation of this Chapter, whom the Public Commission shall propose, and instead of one economic personality a judge may be appointed in consultation with the Minister of Justice; one of the members appointed under this subparagraph shall be appointed chairman;
    - (b) a representative of employees or a representative of members, proposed by the Public Commission from lists to be prepared by employee organizations.
  - (3) A person who meets the conditions said in section 16A of the Government Companies Law is qualified to be appointed to a management committee
  - (4) The provisions of sections 17 and 17A of the Government Companies Law shall apply to the appointment of management committee members, mutatis mutandis, and a person also shall not be appointed special administrator if he or his relative has a personal, business or political link to any Government Minister or to his relative.
  - (5) The management committee shall have all the powers vested in a management committee by section 72(d), as well as the following powers:
    - (a) to approve an efficiency program prepared by the special administrator under instructions from the Superintendent, as said in section 78L(a), before it is

- submitted to the Superintendent for approval;
- (b) to approve the special administrator' recommendations on the performance of additional rehabilitation measures in the fund, above and beyond what is required by provisions under this Chapter.
- (6) A management committee member shall not - within one year after he concluded his service - serve as officer of any pension fund or of a body corporate controlled by a pension provident fund, and he shall not be employed as employee, as holder of any other position or as consultant of a pension provident fund or of a body corporate controlled by a pension provident fund; for this purpose, "control" - as defined in the Securities Law 5728-1968.
- (7) A majority of management committee members shall constitute a quorum at its meetings.
- (8) Decisions of the management committee shall be adopted by a majority; in case of a tie vote, the chairman of the management committee shall have the casting vote.
- (9) The management committee's authority and the effect of its acts shall not be impugned by the fact that a member's place fell vacant, or because of any fault in his appointment or continued service.
- (10) The members of the management committee must act loyally, in good faith and diligently toward the entire membership of the veteran fund, as a reasonable person would act in that position and under those circumstances, in order to comply with the provisions of this Chapter and for the attainment of its objectives.
- (c) The provisions of Chapter 68 shall not apply to the appointment of special administrators and management committees under this section.

#### **Term of service and termination of service**

- 78E. (a) Special administrators and management committee members shall be appointed for three year terms; the Superintendent may - on recommendation by the Public Commission - extend the period of service from time to time.
- (b) The service of a special administrator or of a management committee member shall be terminated before the end of his term of service, if one of the following occurs:
- (1) he resigned by delivering a letter of resignation to the Superintendent;
  - (2) he is permanently unable to perform his tasks and the Superintendent removed him from his position by written notice with the consent of Public Commission;
  - (3) he was found guilty of an offense, and - because of its severity, nature or circumstances - the Superintendent holds that it makes him unfit to serve in his position;

- (4) the Superintendent determined with approval by the Public Commission that he does not perform his tasks properly or in a manner that advances the objectives of this Chapter, or that he acted - by act or by omission - in a manner that contradicts the Superintendent's orders and instructions, that were handed down under the provisions of this Chapter;
- (5) the Superintendent concluded that the further service of a special administrator or of a management committee is no longer necessary in a fund, in respect of which he ordered under section 78M that it be operated jointly with another fund.

#### **Powers of special administrator**

78F. A special administrator shall have all the powers vested in an Administrator under Chapter Seven, mutatis mutandis, subject to the provisions of this Chapter.

#### **Responsibilities of a special administrator**

78G A special administrator shall manage the affairs of the veteran fund to which he was appointed and he shall act for the implementation of the provisions of this Chapter and for the realization of its objectives, and - inter alia - he shall do the following:

- (1) locate the fund's assets and - if they are not under the fund's control or are not registered in its name in any register kept under any statute - bring them under its control and have them registered in its name;
- (2) realize and sell the fund's assets;
- (3) ascertain that there is a complete and accessible data base of the entitlements of all members of the fund;
- (4) implement the uniform by-laws;
- (5) implement the efficiency program prescribed under the provisions of section 78L, or carry out the joint management ordered by the Superintendent under the provisions of section 78M;
- (6) carry out any other act the Superintendent may order.

#### **Instructions by the Superintendent**

78H In the exercise of his powers and the performance of his tasks a special administrator shall act in accordance with the Superintendent's instructions, and the Superintendent may - inter alia - order a special administrator to take steps he orders for a reduction of the actuarial deficit or for the prevention of its creation in the future, or in order to secure the interests of the entire membership of all the veteran funds.

### **Article Four: Uniform By-laws and Efficiency Programs**

#### **Making uniform by-laws and their principles**

78I. (a) The Superintendent shall prepare uniform by-laws for all veteran funds, for which special administrators were appointed, in order to

bring them to actuarial balance and so that they will be able to pay pensions to their members, with attention to the Government aid that will be provided under the provisions of Article Five and the creation of uniformity in the system of entitlements.

- (b) The uniform by-laws shall be drawn up according to the following principles and provisions:
- (1) there shall be no discrimination between fund members;
  - (2) the rules for calculating members' entitlements shall be uniform for all veteran funds, for which special administrators were appointed, be clearly formulated and independent of any discretion on the part of the fund or of any other factor;
  - (3) for any person who begins to receive a pension on or after October 1, 2003, the pension shall be calculated as specified below, on condition that - under any method of calculation - beginning with October 2003 the maximum real increase of the wage that determines the pension be 2% per year;
    - (a) in respect of members of veteran funds, to whom subparagraph (b) does not apply - based on the method of average of wage ratios used in the Central Provident Fund of Histadrut Employees Ltd., with changes to be prescribed by the Superintendent in the uniform by-laws;
    - (b) in respect of members of veteran funds, for whom the Superintendent prescribed that immediately before the determining date their by-laws were based on the method of the last three years, the pension shall be calculated as the sum of the following two amounts:
      - (1) for the period up to the determining date - based on the method of the average of the last three years, as the Superintendent shall prescribe;
      - (2) for the period from the determining date and thereafter - based on the method of the average of wage ratios, as said in subparagraph (a);
  - (4) an actuarial balancing mechanism shall be prescribed, including rules on an actuarial reserve;
  - (5) a fund's assets shall only be used for the payment of pensions to members in accordance with the by-laws, and to cover the fund's operating expenses, all according to rules and instructions to be prescribed by the Superintendent;
  - (6) the fund shall deduct the management fees specified below out of the payments it pays under the uniform by-laws, both pensions and one time payments:
    - (1) in tax year 2004 - 1/3%;
    - (2) in tax year 2005 - 1%;
    - (3) in tax year 2006 - 1 1/2%;
    - (4) in tax year 2007 and thereafter - 1 3/4%;
  - (7) in respect of each month, the wage insured in the fund shall be calculated as the amount actually transmitted to the fund, divided by the ratios of the payments that must be transferred to the fund under the provisions of section 78J;

- (8) when the retirement age was raised under any statute, then the age of entitlement to old age pension shall be increased accordingly; as long as the retirement age was not increased to 67 for men and women, by increasing Government aid above the amount said in paragraph (1) of section 78N(a), as said in paragraph (2) of that section; for purposes of this paragraph, the "differential" - the difference between the fund's obligations, as they would be if the retirement had been raised to 67 for men and women, and the fund's obligations when the retirement age is 67 for men born in or after May 1942, and 64 for women born in or after May 1953;
- (9) the pension of a person who began to receive it before he reached retirement age, within its meaning in the Retirement Age Law 5764-2004, shall be reduced at a rate that will be set in the uniform by-laws in accordance with actuarial calculations, assuring that the said early retirement will not create an actuarial deficit;
- (10) the percentage of invalidity, according to which an invalidity pension is paid by the fund, of a person for whom all the following hold true shall not be reduced, even if between October 1, 2003, and the date on which this Law is published (*June 26, 2005 - Tr.*) it was decided to reduce the percentage of invalidity:
  - (a) the decision that he is entitled to an invalidity pension from the fund was made before the determining month, as defined in the uniform by-laws (in this paragraph: the original decision);
  - (b) an invalidity pension was paid him by the fund for September 2003;
  - (c) the original decision did not prescribe a set period for receiving that pension;
  - (d) one of the following holds true:
    - (1) the date of the original decision preceded by sixty months or more the date, on which the decision to reduce the percentage of his invalidity was made, and if no said decision was made for him - sixty months or more before he was summoned for a return examination of invalidity;
    - (2) he reached the early retirement age, as defined in the uniform by-laws, before the date on which the decision was made to reduce the percentage of his invalidity, and if no said decision was made for him - he reached the said age before he was summoned for a return examination of invalidity.

### **Applicability of the uniform by-laws and their amendment**

- 78J. (a) Beginning with a day to be set by the Superintendent, the uniform by-laws shall replace the by-laws of each of the veteran funds for which special administrators were appointed.
- (b) The provisions of the uniform by-laws shall apply notwithstanding the provisions of any agreement or other arrangement.
- (b1) if an employee is a member of a veteran fund for which a special administrator were appointed, and if - under the provisions of the collective agreement applicable to him - he has the right to request that employee member contributions out of his salary and the transfer of his employer's payments in respect of that salary be stopped, and if he did request that transfer of the said payments be stopped, then the provisions of the uniform by-laws in respect of an inactive member shall apply to him;
- (c) If the Superintendent concludes that it is necessary to do so in order to attain the objectives of this Chapter and the principles enumerated in section 78I, then he may - with the Minister's approval and with approval by the Knesset Finance Committee - amend the uniform by-laws and an amendment shall go into effect 30 days after the funds to which it applies were given notice thereof.

#### **Rates of payment to funds**

78K. Payments specified below shall be added to the proportions of the employees' wages, in respect of which payments by the employer and by the employee-member are transmitted to the fund under any agreement, arrangement or collective agreement, as they were on April 30, 2003 (in this section: determining date):

- (1) to the payments by the employee-member shall be added one third of a percentage point, and one half a percentage point in 2007, so that - in 2007 and thereafter - the allocation will be one and a half percentage points greater than it was on the determining date;
- (2) to the payments by the employer shall be added one third of a percentage point in each of the years 2004 to 2006 and half a percentage point in 2007, so that - in 2007 and thereafter - the allocation will be one and a half percentage points greater than it was on the determining date.

#### **Efficiency program**

78L. (a) The Superintendent may order a special administrator to prepare a program to make the operations of the fund under his management more efficient; this program shall - with approval by the management committee - be submitted for approval by the Superintendent, and the Superintendent may prepare a uniform program for the efficiency of all the veteran funds for which special administrators were appointed, inter alia through the amalgamation of their activities.

- (b) The special administrator shall act to implement an efficiency program said in subsection (a) within the period prescribed by the Superintendent.

#### **Joint operation of funds**

78M The Superintendent may order that veteran funds for which special administrators were appointed be operated jointly, and the Minister of Finance may issue instructions on this matter.

### **Article Five: Government Aid**

#### **Government aid**

- 78N. (a) (1) The Government shall assist the veteran funds for which special administrators were appointed, including their members, by transferring NIS 78,300 million from the State budget, including the amount of the value of subsidies; for this purpose, "value of subsidies" - the differential between the amount of linked interest, which the Government pays on earmarked bonds of the category "Meron", which were issued to the veteran funds for which special administrators were appointed and which had not yet been retired by April 30, 2003, and the amount of linked interest which would have been payable on those bonds if their interest rate had been 4%.
- (2) To the amount of aid under paragraph (1) shall be added an amount equal to the differential defined in section 78I(b)(8), all to the extent required under the said section.
- (b) The money of the aid under subsection (a) shall be transferred to each veteran fund in accordance with the Superintendent's instructions, on condition that money shall be transferred to any fund only after the uniform by-laws were enacted in it, the efficiency program said in section 78L was carried out and the fund complies with all the provisions of this Chapter (hereafter: entitled fund).
  - (c) The amount said in subsection (a) shall be linked to the Consumer Price Index published by the Central Bureau of Statistics (hereafter: the index), so that any amount be transferred to an entitled fund after it was adjusted to the index increase known on the date of each transfer, over the index published for January 2003, plus linked interest at the rate of 4% per annum.
  - (d) Government assistance to the veteran funds for which special administrators were appointed and to their members shall be extended only in accordance with this section; members of veteran pension funds shall not be paid - by the Government or by the fund - any supplement because of any differential between the pension calculated by the method of the average of wage ratios and the pension calculated by any other method.

**Aid fund**

78O. In order to spread the expenditure out of the State budget for aid to veteran funds, as said in section 78N, the Government may establish a fund, to which part of the amounts intended for aid to entitled funds be transferred before the dates on which those amounts must be transferred to the funds; the fund shall operate in a manner and on conditions prescribed by the Minister of Finance.

**Article Six: Miscellaneous Provisions****Applicability**

- 78P. (a) The provisions of this Chapter, other than the provisions of section 78N(d), shall not apply to a veteran fund that is not a deficit fund, even if it is one of the following:
- (1) a fund which on December 31, 2001 had no actuarial deficit and for which the following two conditions hold true:
    - (a) it applied to the Superintendent before August 1, 2003, to create an actuarial balancing mechanism;
    - (b) an actuarial balancing mechanism approved by the Superintendent was established in the fund's by-laws;
  - (2) a fund which on December 31, 2001 had an actuarial deficit smaller than 10% of the fund's total obligations, or a plant fund, for which the following two conditions hold true, in addition to the conditions stated in subparagraphs (a) and (b) of paragraph (1):
    - (a) until the date said in paragraph (1)(a) it submitted to the Superintendent a program that will bring it to actuarial balance;
    - (b) until the date said in paragraph (1)(b) the program was approved by the Superintendent and became binding (in this section: binding program).
- (b) If a fund, to which the provisions of this Chapter were not made applicable as said in subsection (a), did not activate the actuarial balancing mechanism in its by-laws by the date on which it was required to activate it, or if it did not act in accordance with the binding program, as the case may be, then the Superintendent may determine that some or all the provisions of this Chapter shall apply to it.
- (c) The provisions of section 78N(d) shall not apply to members of veteran pension funds who began to receive pensions before October 1, 2003.

**Saving of powers**

78Q The provisions of this Chapter shall not derogate from any power vested in the Superintendent under the provisions of this Law and under any other statute, and he may - inter alia - use a said power in order to attain the objectives of this Chapter and in order to implement it.

**Priority**

78R The provisions of this Chapter shall apply, notwithstanding the provisions of any statute or agreement, including collective agreements.

**Regulations for the implementation of Chapter Seven "A"**

78S. The Minister of Finance may, with approval by the Knesset Finance Committee, make regulations for the implementation of this Chapter.

## **CHAPTER EIGHT: INTERRUPTION OF SERVICES**

### **Definition**

79. In this Chapter, "employee strike" - any organized complete or partial work stoppage by a group of employees, including a slow-down and any other organized disruption of the orderly work process.

### **Declaration of interruption of services**

80. (a) If the Commissioner concludes, after consultation with the Committee, that a certain insurer is not able to conduct his business properly because of a strike by his employees, then he may declare that the insurer discontinued his services, and the declaration may provide that it applies to all or to part of the services of the insurer.
- (b) The declaration shall be published in Reshumot and in at least four daily newspapers published in Israel.
- (c) The declaration shall specify the date at which the insurer discontinued his services and it may specify different dates of discontinuation for different services.
- (d) The cancellation of the declaration may set different dates of cancellation for different services.

### **Postponement**

81. (a) If an insurer in interruption and any person agreed that an act be performed or that a liability be discharged and that the insurer or that person must or may perform or discharge during the period between the declaration and its cancellation, then that time shall be postponed until the end of three business days after the cancellation of the declaration, on condition that the act or the discharge of the liability are part of the services to which the declaration applies.
- (b) A postponement under this section shall also apply to a date set in a judgment or other decision of a Court or of another judicial or quasi-judicial authority under any statute.

### **Interest and linkage differentials**

82. (a) If a liability, discharge of which was postponed under section 81, bore interest before the interruption, then the liability shall continue to bear interest until the new date of its discharge, at the rate due during the period before the interruption.

- (b) If a liability, the discharge of which was postponed under section 81, is value linked, then the agreed obligation to pay linkage differentials shall apply during the period of interruption; for this purpose, "value linked liability" - a liability, all or part of the amount of which is linked to a currency exchange rate, to the consumer price index or to the increase in the price of anything else.
- (c) The Commissioner may direct that, during a period of interruption, a person may pay to a banking institution any amount due from him to the insurer in interruption, and that that payment be treated like a payment to the insurer in interruption; the Commissioner may issue directions on the manner of payment and on the manner of publicizing the direction.

#### **Validity of policies**

83. If the insurance period under an insurance contract expired during the period of interruption, it shall be deemed to have been extended by the parties' consent until thirty days after the day on which the declaration was cancelled, unless one of the parties disclosed before the declaration that he did not intend to continue the contract or unless the insured person contracted with another insurer for insurance; the obligation to pay premiums shall apply to the period of extension, at the rate prescribed in the insurance contract and in proportion to the length of the period.

#### **Restriction of responsibility**

84. An insurer in interruption shall not bear criminal or civil responsibility for an act or omission that arises directly out of the interruption of the services to which the declaration relates.

### **CHAPTER NINE: TRANSITIONAL PROVISIONS**

#### **Existing insurers and agents**

85. (a) If a company or cooperative society was incorporated in Israel, and if immediately before this Law went into effect (hereafter: initial date) lawfully carried on an insurer's business, then it shall be entitled to an Israel insurer's license.
- (b) If a foreign body corporate is registered in Israel, and if immediately before the initial date it lawfully carried on an insurer's business in Israel, then it shall be entitled to a foreign insurer's license.
- (c) If an individual lawfully carried on business as an insurance agent immediately before the initial date, then he shall be entitled to an individual agent's license.
- (d) If a body corporate lawfully carried on business in Israel as an insurance agent immediately before the initial date, then it shall be entitled to a corporate agent's license.

#### **Exempt person**

86. (a) If a foreign resident carried on insurance business in Israel immediately before the initial date, and if he was exempt from all or some of the provisions of the Insurance Business (Control) Law 5711-1951 (hereafter: the previous Law) under section 14 of the previous Law, then he shall be entitled to a similar exemption from the provisions of this Law.
- (b) The Minister of Finance may, with approval by the Knesset Finance Committee, cancel all or part of an exemption granted under subsection (a), either generally or in respect of a certain matter, or he may make it conditional.

#### **Ottoman society**

87. (a) If a society was established under the Ottoman Law of Societies of 1909 (hereafter: Ottoman society), and if it lawfully carried on an insurer's business immediately before the initial date, then it shall be entitled to an Israel insurer's license.
- (b) The validity of an Israel insurer's license granted to an Ottoman society as said in subsection (a) shall lapse six months after the initial date, unless its members incorporated as a company or as a cooperative society during that period.
- (c) Wherever this Law refers to a Director, manager or officer, it shall - in respect of an Ottoman society - be deemed to refer to a person authorized to act on its behalf under its by-laws.

#### **Holding means of control**

88. (a) If immediately before the initial date a person held more than ten per cent of a certain category of the means of control in an insurer, as specified in section 32(a), then he shall be entitled to a permit under that section.
- (b) If a person controlled an insurer, as specified in section 32(b), immediately before the initial date, then he shall be entitled to a permit under that section.

#### **Insurance society**

89. (a) If under the Insurance Business (Control) (Inapplicability of Provisions of the Law) Rules 5723-1963, (hereafter in this Chapter: the Rules) an insurance society was exempt from the provisions of the previous Law under the Rules immediately before the initial date, then it shall be entitled to a permit to continue in insurance business and the provisions of this Law, other than sections 18, 22, 23, 104 and 105, shall not apply to it, as long as it meets the requirements set out in Schedule Two.
- (b) A society said in subsection (a) shall submit to the Commissioner -
- (1) notification of every change in the society's by-laws within 30 days after it was registered by the Registrar of Cooperative Societies or after the day on which it notified the District Commissioner under the Ottoman Law of Societies, as the case may be;
  - (2) until April 30 of each year - an annual balance-sheet and a report on the number of members.

**Society that does not deal in life insurance**

90. If the by-laws of a cooperative society forbid its dealing in life insurance or in pension insurance, and if - under the Rules - it was exempt from the provisions of the previous Law, then it shall be entitled to a permit to continue the insurance business and the provisions of Article Three of Chapter Three and of section 35 shall not apply to it, as long as it meets the said condition.

**Existing insurance arrangements**

91. For purposes of section 40, persons entitled to a license under this Chapter shall be deemed to have submitted to the Commissioner, under section 16, the insurance schemes, terms of insurance, scales of premiums and other payments which they collect from insured persons and their reinsurance arrangements, all practiced by them when they submit the application for a license under this Chapter.

**Issue of licenses and permits to entitled persons**

92. (a) If a person is entitled to a license or permit under sections 85, 86, 87 or 89, and if he did not submit an application therefor to the Commissioner within six months after the initial date, then he shall be deemed to have waived his right thereto.

(b) The Commissioner may make the issue of a license or permit under sections 85, 86, 87, 88 or 89 subject to conditions similar to those which applied to entitled persons under the previous Law.

**CHAPTER NINE "A": FINANCIAL SANCTION AND CIVIL FINES****Financial sanction**

92A. (a) In this section, "the basic amount" - an amount specified below, as the case may be:

- (1) in respect of an insurer - NIS 150,000;
- (2) in respect of an incorporated agent and other body corporate that is not an insurer - NIS 75,000;
- (3) in respect of an individual who is not an individual agent - NIS 25,000;
- (4) in respect of an individual agent - NIS 12,500.

(b) If the Commissioner has reasonable grounds for the belief that an insurer or an incorporated agent did not submit reports and notices under section 42 to the Commissioner, or that an insurer, an insurance agent, an officer of them or any other person employed by them did not comply with a demand to them under section 50 or 73, then he may impose financial sanction on them at the rate of 3% of the basic amount for each day on which the violation continues.

(c) If the Commissioner has reasonable grounds to believe that a person, to whom the obligation to report holdings of means of control under the provisions of section 34A applies, did not report that according to the provisions of that section, that an insurer,

insurance agent or other person violated any instructions of the Commissioner issued under section 2(b), or that a person who was present and voted at the General Meeting of an insurer did not give the Commissioner particulars that he demanded in accordance with the provisions of section 48A(b), then he may impose financial sanction on him in the basic amount.

- (d) If the Commissioner has reasonable grounds to believe that an insurer did one of the following, then he may impose financial sanction on him in the basic amount:
- (1) he did not give a policy to an insured person, in violation of the provisions of section 2(a) of the Insurance Contract Law 5741-1981;
  - (2) he did not participate in the General Meeting of a body corporate, in violation of the provisions of subsection (a) of section 31 of the Control of Provident Funds Law, as made applicable by section 36A of this Law, or he did not comply with one of the instructions issued under subsection (b) of the said section 31;
  - (3) in the protocol of his General Meeting he did not include the particulars required under the provisions of section 48A(a).

#### **Updating the financial sanction**

- 92B. (a) The Commissioner may update the amount of financial sanction on January 1 of each year, at the rate of change that occurred in the last index published before the day of change over the index for November 2005; the Commissioner may also round the amount of financial sanction to the nearest amount that is a multiple of NIS 10.
- (b) The Commissioner shall publish the amount of the updated financial sanction in a notice in Reshumot.

#### **Civil fine**

- 92C. (a) If the Commissioner had reasonable grounds to assume that an act or an omission was committed, for which an offense is prescribed under section 104, then he may impose a civil fine on the person who committed the act or omission, in the amount of 10% of the fine set under the said section.
- (b) Once every six months the Commissioner shall report to the Attorney General the civil fines imposed under this section for violations under paragraphs (7), (13) and (17) of section 104(b); the report shall be drawn up in a format, and it shall include particulars, as the Attorney General shall prescribe.

#### **Reduced amounts**

- 92D. (a) The Commissioner is authorized to impose financial sanction or civil fines that are lower than the financial sanction and civil fines set in this Chapter only in accordance with the provisions of subsection (b).
- (b) The Minister of Finance may, with the consent of the Minister of Justice, make rules for cases, circumstances and considerations, under which it will be possible to impose financial sanction or civil

finer in amounts lower than those set in this Law and in amounts that he shall prescribe.

**Continuing violation and repeated violation**

- 92E. (a) In the case of a continuing violation - other than a violation said in section 92A(b) - the financial sanction or the civil fine prescribed for that offense shall be increased by the fiftieth part thereof for each day on which the violation continues.
- (b) In the case of a repeated violation, the financial sanction or the civil fine that could be imposed on it, had it been a first offense, shall be increased by one an amount equal to half the said financial sanction or fine; for this purpose, "repeated violation" - a violation of provisions specified in sections 92A and 92C within two years after the previous violation of the same provision, in respect of which financial sanction or a civil fine was imposed on the violator, or in respect of which he was convicted.

**Demand for the financial sanction or civil fine and its payment**

92F. A financial sanction or a civil fine shall be paid upon the Commissioner's demand, within thirty days after its delivery; the demand shall be issued after notice of the intention to issue it was given to the person to whom the demand is addressed and he was given an opportunity to present his arguments; the said notice shall state that, in respect of a continuing offense the offender will be charged an additional financial sanction or civil fine in accordance with the provisions of section 92E.

**Updated amounts of financial sanction and civil fines**

92G. The financial sanction and the civil fine shall be according to the updated amount on the day of the demand, and if appeal was lodged and the Court that hears the appeal ordered payment to be stayed - according to the updated amount on the day the appeal is decided.

**Linkage differentials and interest**

92H. If financial sanction or a civil fine was not paid on time, then linkage differentials and interest under the Adjudication of Linkage Differentials and Interest Law 5721-1961 (in this Chapter: linkage differentials and interest) shall be added to it for the period of arrears until its payment.

**Collection**

92I. Financial sanction and civil fines shall be collected for the State Treasury, and the Taxes (Collection) Ordinance shall apply to it.

**Saving of criminal liability**

- 92J. (a) Payment of a civil fine shall not derogate from a person's criminal liability for the violation.
- (b) If an indictment was brought against a person for a violation under this Chapter, then he shall not have to pay a civil fine for it, and if did pay it, then the amount paid, plus linkage differentials and interest from the day of payment until the day of the refund, shall be refunded to him.

**Publishing the imposition of a fine**

92K. When financial sanction or a civil fine has been imposed under this Chapter, the Commissioner may order the person who must pay the financial sanction or the fine to inform the insured persons or to publish in a newspaper - or in any other manner he requires - that the composition or the fine was imposed, the name of the person who must pay it, the nature of the violation for which it was imposed and the amount of the composition or fine.

**Appeal**

- 92L. (a) A demand to pay financial sanction or a civil fine may be appealed before the Magistrates Court within thirty days after the day on which the demand was delivered.
- (b) Bringing the appeal shall not delay payment of the financial sanction or the civil fine, unless the Commissioner agreed thereto, or if the Court ordered differently.
- (c) If the appeal is accepted, then the financial sanction or the civil fine, plus linkage differentials and interest from the day of payment until the day of the refund, shall be refunded.

**CHAPTER TEN: MISCELLANEOUS PROVISIONS AND PENALTIES**

93. and 94. Repealed

**Sick fund**

95. The provisions of this Law shall not apply to a sick fund, as defined in the National Health Insurance Law 5754-1994, on matters of medical services which it provides under the said Law, including additional services in accordance with section 10 of the said Law.

**Application of provisions**

96. (a) If a person engages in insurance agency in Israel between any person and a foreign resident or his agent, or if a person engages in insurance agency in Israel between any person and a person who was exempted under section 86 or his agent, and if a person is the authorized representative of a person who was exempted under section 86, then he shall be treated like an insurance agent and the provisions of this Law on agents shall apply to him, including licensing requirements.
- (b) The Minister of Finance may direct that the provisions of Articles One to Four in Chapter Three, of Article Two in Chapter Four, of Chapter Eight and of sections 38 to 41, 55 to 62 and 98 shall also apply, wholly or in part, to a person to whom subsection (a)

applies, as if he were an insurer.

### **Costs of audit**

97. If the Commissioner empowered a person other than a State employee to audit an insurer or an insurance agent, then the Commissioner may impose the costs of the audit on the insurer or on the insurance agent, as the case may be.

### **Fees**

98. The Minister of Finance may make regulations on -

- (1) a fee for the issue of an insurer's license;
- (2) an insurer's annual fee for each branch of insurance in which he is authorized to deal in that year;
- (3) a fee for the issue of an individual agent's or a corporate agent's license;
- (4) an annual fee for an individual agent and a corporate agent;
- (5) a fee for a test;
- (6) how and when fees are to be paid;
- (7) interest and linkage differentials payable on fees not paid on time.

### **Registration of insurers and corporate agents**

99. If the charter and by-laws of a body corporate, which are submitted for registration, show that its objectives include insurance business or insurance agency business, then it shall not be registered unless a certificate by the Commissioner is attached, attesting his consent to the registration.

### **Limitation of the use of the word "insurance"**

100. (a) Any person, other than a holder of a license under this Law, shall use the word "insurance" or any derivative thereof in the name under which he carries on business, only under a permit from the Commissioner.

(b) The Commissioner may direct any person, after consultation with the Committee and after that person was given an opportunity to submit his arguments or to have them heard by the Committee, to delete - within the time prescribed by the Commissioner - the word "insurance" or any derivative thereof from the name under which he conducts business.

### **Conditions of license and prohibition of transfer**

101. (a) A person empowered to issue any license, permit or certificate under this Law may attach conditions and restrictions thereto.

(b) A license, permit or certificate issued under this Law is not transferable.

### **Appeal**

102. (a) If a person deems himself injured by a decision of the Commissioner under sections 25(c1), 26(e), 29(a), 51, 52 or 100, or if an insurer or insurance agent deems himself injured by a decision of the Commissioner under section 62(a), then he may appeal to the District Court within 45 days after he received notification of the decision under the said sections; the appeal shall be heard by a single judge.
- (b) Filing an appeal shall not stay implementation of the decision against which appeal is lodged, unless the Commissioner agreed thereto or if the Court ordered implementation of the decision to be stayed.
- (c) The Minister of Justice may make law procedure regulations for hearing appeals.

### **Extension of times**

103. The Commissioner may extend all the times prescribed in this Law or in regulations under it for a category of cases or for a certain case, except for the times prescribed in sections 29(c), 81 or 102 or in regulations under section 102.

### **Penalties**

104. (a) In this section, "the basic fine" - an amount specified below, as the case may be:
- (1) in respect of an individual agent - the amount set in section 61(a)(4) of the Penal Law;
  - (2) in respect of an individual who is not an individual agent - double the amount set in section 61(a)(4) of the Penal Law;
  - (3) in respect of an incorporated agent and another body corporate - eight times the amount set in section 61(a)(4) of the Penal Law;
  - (4) in respect of an insurer - sixteen times the amount set in section 61(a)(4) of the Penal Law.
- (b) If a person committed one of the following, then he shall be liable to three years imprisonment or to a fine one and a half times the basic fine;
- (1) he engaged in insurance without a license or in insurance branches not stated in his license, in violation of section 14;
  - (2) he acted in violation of an instruction given him by the Commissioner under the provisions of section 23(b) on the conduct of his business after cancellation of the license;
  - (3) he held means of control in an insurer or controlled an insurer without holding a permit, in violation of section 32;
  - (4) he had a substantive holding in the field of long term savings, in violation of the provisions of section 32(c1);
  - (5) he transferred means of control in an insurer, knowing that the recipient needs a permit and does not have a permit, in violation of section 33;
  - (6) he received some benefit in connection with the management of yield-dependent insurance, in violation of the provisions of section 32(c) of the Control of Provident Funds Law, as made applicable in section 36A;

- (7) he paid commission or any other consideration, in violation of the provisions of section 32(e) of the Control of Provident Funds Law, as made applicable in section 36A;
- (8) he did not refund expenses, management fees, commissions, considerations or any other benefit in accordance with the Commissioner's instructions under section 32(e) of the Control of Provident Funds Law, as made applicable in section 36A;
- (9) he gave a misleading description in connection with yield-dependent insurance, or he published or caused to be published any publication that included a said misleading description, in violation of section 36(b) of the Control of Provident Funds Law, as made applicable in section 36A;
- (10) he did not publish a correction of a publication that included a misleading description in respect of yield-dependent insurance according to an instruction from the Commissioner under section 36(c) of the Control of Provident Funds Law, as made applicable in section 36A;
- (11) he collected insurance premiums otherwise than according to instructions from the Minister of Finance under section 37;
- (12) he introduced an insurance program, the particulars of which had not been submitted to the Commissioner, or he changed terms of insurance, insurance premiums or other payments, without submitting notice thereof to the Commissioner or without receiving a permit therefor from the Commissioner, in violation of the provisions of section 40;
- (13) he paid commission in violation of section 41;
- (14) he included a misleading particular in any report or notice, in violation of the provisions of section 42A or he agreed that a report or notice he prepared be included in a said report or notice, knowing that they include a misleading particular;
- (15) he managed his business in the life insurance branch in violation of the provisions of section 54;
- (16) he described an insurance transaction misleadingly or included a misleading description in a publication for the public in violation of the provisions of section 55;
- (17) he did anything that constitutes exploitation or the use of unfair influence, in order to contract an insurance transaction on unreasonable terms or in order to obtain consideration in excess of the customary consideration, in violation of the provisions of section 58;
- (18) he did not correct a fault in accordance with a direction given him by the Commissioner under the provisions of section 62(a);
- (19) he did not comply with an instruction given him by the Commissioner to correct a fault or to prevent harm under the provisions of section 65;
- (20) he violated an order by the Commissioner under the provisions of section 66, to set aside sums of money;
- (21) he violated an order given by the Commissioner under the provisions of sections 67 or 68;

- (22) he served as officer or other employee of an insurer, even though his authority had been made conditional or was restricted under the provisions of section 68, or he served as officer of an insurer even though he had been suspended or removed from office under the provisions of that section;
  - (23) he did not inform insured persons or did not publish that financial sanction or a civil fine had been imposed, in accordance with instructions from the Commissioner under section 92L.
- (c) If a person committed one of the following, then he shall be liable to two years imprisonment or to the basic fine:
- (1) he did not comply with any of the conditions prescribed in the insurer's license, in violation of the provisions of section 14;
  - (2) he engaged in insurance brokering and is not one of those enumerated in paragraphs (1) or (2) of section 24(a), or he engaged in insurance brokering otherwise than in accordance with the conditions specified in those paragraphs;
  - (3) he engaged in insurance brokering between a person who is not an insurer and a foreign resident or his agent, who do not hold licenses under this Law;
  - (4) without a permit he controlled an incorporated agent, in violation of the provisions of section 32(b);
  - (5) he violated one of the conditions of a permit given under section 32, in violation of the provisions of that section;
  - (6) he transferred means of control in an incorporated agent, knowing that the recipient needs a license and does not have one, in violation of the provisions of section 33;
  - (7) he did not keep the minimum share capital and the minimum surplus of assets over obligations, in accordance with provisions the Minister of Finance prescribed under section 35;
  - (8) he acted in violation of provisions on the management of businesses, which were prescribed or handed down under section 36;
  - (9) he accepted insurance business, in violation of the provisions of section 41(a);
  - (10) he did not appoint an organ, officer or other position holder in an insurer in accordance with provisions under Article One "A" of Chapter Four, in respect of a Yield-Dependent Investments Committee - also in accordance with provisions under section 11 of the Control of Provident Funds Law, as made applicable in the said Article, or he did appoint a said organ, officer or other position holder otherwise than according to the said provisions;
  - (11) he served as officer or holder of some other position in an insurer, or he acted within the bounds of his said position in violation of provisions under Article One "A" of Chapter Four, and in respect of the member of a Yield-Dependent Investments Committee - also in violation of the provisions of

- section 11 of the Control of Provident Funds Law, as made applicable in the said Article;
- (12) he calculated the value of assets that cover yield-dependent obligations in violation of instructions from the Minister of Finance under section 33(a) of the Control of Provident Funds Law, as made applicable in section 36A;
  - (13) he did not comply with provisions under section 33(b) of the Control of Provident Funds Law, as made applicable in section 36A, in respect of the manner in which assets that cover yield-dependent obligations are to be calculated;
  - (14) he did not calculate the yield an insurer obtained from yield-dependent insurance, or did not credit or debit the profits and losses to the insured persons, in the manner and at the times prescribed by the Minister of Finance under section 34 of the Control of Provident Funds Law, as made applicable in section 36A, or he did not comply with the conditions prescribed by the Minister under the provisions of the said section 34 in respect of new funds deposited by insured persons;
  - (15) he did not send periodic reports and other reports to persons insured under yield-dependent insurance, according to the provisions of section 35 of the Control of Provident Funds Law, as made applicable in section 36A;
  - (16) he did not comply with the provisions under section 36(a) of the Control of Provident Funds Law, as made applicable in section 36A, in respect of publicizing yield-dependent insurance;
  - (17) he made the conclusion of insurance dependent on some other contract, in violation of the provisions of section 57;
  - (18) in the liquidation of an insurer's business he acted otherwise than according to instructions the Commissioner gave him under sections 63 or 64;
  - (19) he used the word "insurance" or a word derived from it in the name under which he conducts business, without a permit from the Commissioner and in violation of the provisions of section 100.

#### **Offense aimed at misleading or defrauding**

104A. If a person committed one of the offenses enumerated in section 104 in order to defraud or to mislead an insured person or in order to defraud or mislead a person who weighs conclusion of an insurance contract, then he shall be liable to five years imprisonment or to a fine three times the fine set for that offense.

#### **Fine for continuing offense**

104B. In the case of a continuing offense the Court may impose - in respect of each day on which the offense continues and in addition to any other penalty - a fine in the amount of one fiftieth of the fine that it may impose for that offense.

#### **Obligation to supervise**

105. (a) Officers of a body corporate must supervise and do everything

possible in order to prevent offenses under section 104 by the body corporate or by any of its employees; whoever violates this provision shall be liable to the fine for that offense, as imposed on an individual.

- (b) When an offense under section 104 was committed by a body corporate or by any of its employees, then it is assumed that an officer of the body corporate violated the obligation said in subsection (a), unless he proves that he did everything possible to prevent the offense.
- (c) In this section, "officer" - a Director, an active manager of the body corporate, a partner other than a limited partner, or the holder of another position who, on behalf of the body corporate, is responsible for the sphere in which the offense was committed.

### **Publication of judgment and correction of a publication**

106. Following a conviction or the imposition of an obligation under this Law, a Court may order that the final judgment, a summary thereof or the correction of a misleading publication be published in the form and manner which it shall prescribe, and it may direct who shall bear the costs of publication; if the Court directs that the accused bear the costs of publication, then they shall be treated like a fine imposed by the Court.

### **Evidence of publication**

107. If a copy of a newspaper or of any other publicly circulated printed matter which contains a misleading description was submitted, then that shall constitute prima facie evidence that it was actually published in that newspaper or printed matter.

### **Compensation**

108. Damage caused to a person by an offense against a provision of sections 55 to 59 shall be treated like damage for which compensation is claimable under the Civil Wrongs Law.

### **Adaptation to cooperative societies**

109. Every reference in this Law to a Board of Directors, Director or business manager shall - for an insurer or insurance agent who is a cooperative society - be deemed a reference to a committee or to an officer, as the case may be, within their meaning in the Cooperative Societies Ordinance, and every reference in this Law to share capital shall be deemed to be a reference to the amount of the members' participation in the cooperative society.

### **Application of provisions to receiver**

110. The provisions of Chapter Five of the Execution Law 5727-1967 shall apply - mutatis mutandis - to a receiver appointed under this Law.

### **Repeal**

111. The Insurance Business (Control) Law 5711-1951 is hereby repealed.

### **Publication of the Commissioner's instructions**

- 111A. (a) The Commissioner's instructions, made by virtue of this Law, do not have to be published in Reshumot, but the Commissioner shall publish a notice in Reshumot that said instructions were made, that they have legislative effect and the date on which they go into effect.
- (b) Instructions of legislative effect, made by the Commissioner by virtue of this Law, and every change thereof shall be available to the public at the Commissioner's office and they shall be published on the Internet site of the Ministry of Finance, and the Minister of Finance may prescribe additional ways for their publication.

**Implementation and regulations**

112. The Minister of Finance is charged with the implementation of this Law, and he may make regulations on any matter that relates to its implementation.

**Effect**

113. This Law shall go into effect on July 1, 1981, except for Chapter Seven, which shall go into effect on the date of the Law's publication in Reshumot.

**Publication**

114. This Law shall be published within 30 days after the date of its adoption by the Knesset

**SCHEDULE ONE**  
(Section 78B(a))

**Part One: Deficit Funds**

- (1) Mivtahim Social Insurance Institute of the Employees Ltd;
- (2) Keren Makefet Pension and Benefits Center Cooperative Society Ltd.
- (3) Netiv - Pension Fund of the Workers and Employees of the Histadrut Economy Enterprises Ltd.
- (4) Insurance and Pension Fund of Agricultural and Unskilled Laborers in Israel - Cooperative Society Ltd.
- (5) Insurance and Pension Fund of Construction and Public Works Employees Cooperative Society Ltd.
- (6) Central Benefits Fund of Histadrut Employees Ltd.

**Part Two: Plant Funds**

- (1) Provident Fund of Egged Members Ltd;
- (2) Provident Fund of Dan Members Ltd;
- (3) Pension Fund Of Hadassah Employees Ltd.
- (4) Provident and Pension Fund of Employees of the Jewish Agency for Israel Ltd..

**SCHEDULE TWO**  
(Section 89)

Requirements which must be met by a society entitled to a permit under section 89:

- (1) Under its by-laws all its income must be dedicated to the purposes for which it was established;
- (2) its by-laws prohibit it from paying its members dividends on the share capital and from distributing profits among them;
- (3) its business is only with its members or it operates only among its members;
- (4) its by-laws prohibit it from conducting life insurance business or pension insurance business;
- (5) it is not an authorized insurer under the Motor Vehicle Insurance Ordinance (New Version) 5730-1970;
- (6) the number of its members does not exceed 500 or - with the Commissioner's consent - 1,000.