

INSURANCE BUSINESS CONTROL REGULATIONS (PARTICULARS OF REPORT - CHANGES IN THE INDEX) 5741-1981

By my authority under section 46 of the Insurance Business Control Law 5741-1981 I make these regulations:

Note about changes

1. Among the notes to the annual financial report and to the consolidated annual financial report with subsidiaries, an insurer shall include information on the effect of changes in the purchasing power of Israel currency on the business results and on the situation of capital and reserves; the changes shall be determined according to changes that occurred in consumer price index published by the Central Bureau of Statistics (hereafter: the index), up to the last index published before the balance sheet date.

The note - its form and principles of its formulation

2. The information in regulation 1 shall be presented in a full report, condensed according to the forms in the First Addition; the report shall be drawn up in accordance with the generally accepted accounting principles prescribed in Opinion No. 23 of the Institute of Certified Public Accounts in Israel, approved on December 21, 1979, and in accordance with the directions in the Second Addition, and it shall include a comparison with the preceding year.

Explanations in the Footnotes

3. (a) The Auditors' Report shall include a reference to a footnote, which includes information on the effect of changes in the general purchasing power of Israel currency on profit and loss.
(b) The following shall be stated in the footnotes:
 - (1) that the adjusted balance sheet and the adjusted profit and loss account were drawn up as required under Opinion No. 23 of the Institute of Certified Public Accounts in Israel, as well as under these regulations;
 - (2) the rate of increase of the cost of living index in the report year and in the preceding year;
 - (3) that the non-financial assets were adjusted in accordance with the last index published before the report date;
 - (4) that the adjusted report does not represent the values of the non-financial assets and obligations, of costs or of income, but only historical values adjusted according to the index increase.

Foreign insurer

4. A foreign insurer shall draw up a report adjusted under these regulations only in respect of his business in Israel.

Applicability to other reports

5. The other particulars of the annual financial report shall be as prescribed in rules for financial reports of insurance companies.

Implementation

6. These regulations shall be in effect beginning with the annual financial reports as of December 31, 1981.

FIRST ADDITION (Regulation 2)

A. Form of Condensed Adjusted Balance Sheet

	Report year		(NS '000)		Preceding year	
	Historical values	Adjusted as of end of the year	Historical values	Adjusted as of end of the year	Historical values	Adjusted as of end of the year
1. Financial assets:						
Debentures, loans, deposits						
Receivables and cash						
Total						
2. Financial obligations:						
Insurance reserves and pending claims						
Other obligations						
Total						
Total net financial assets (1-2)						
3. Non-financial assets:						
Subsidiaries and affiliates						
Shares, capital notes, units in joint investment trust funds and shares in other insurance companies						
Real estate, fixed assets and other property						
Total non-financial assets						
Total equity (1-2+3)						
4. Composition of equity:						
Capital and reserves at beginning of the year						
Capital issued during the year, including share capital						
Minortiy Rights						
Undertakings to convert into shares (incl. expenses)						
Cash dividend in report year						
Net profit/loss for the year (after allocations for taxes)						

B. Form of Condensed Adjusted Balance Sheet

	Report year		Preceding year	
	Historical values	Adjusted values	Historical values	Adjusted values
Profit before the items below:				
Depreciation and amortization				
Company's share in the profits of subsidiaries and affiliates				
Profit (loss) from realization of assets				
Taxes on income				
Adjustment of financial assets (net)				
Interim balance - net profit for the year				
Interest on convertible obligations				
Net profit for the year				
Interim dividends paid for the report year				

SECOND ADDITION

(Regulation 2)

Directions for Preparation of Report about the Effect of Changes in the Purchasing Power of Israel Currency on Business Results and on the Capital and Reserves

1. The calculations needed for preparation of the condensed adjusted balance sheet for the report year and the preceding year shall be made according to the following values:
 - (a) financial assets:
debentures, loans and bank deposits, receivables and cash - according to the values on the financial report;
 - (b) non-financial assets:
 - (1) real estate, fixed assets and other property -
 - (a) if located in Israel - at cost plus index increase differentials from day of acquisition to report date, less depreciation calculated at the customary rates on the adjusted value;
 - (b) if located abroad - at the foreign currency cost, translated into shekel amounts at the exchange rate, plus index increase differentials from day of acquisition to report date, less depreciation calculated at the customary rates on the adjusted value;
 - (2) shares not of subsidiaries and affiliates, capital notes and joint investment trust units:
 - (a) if denominated in Israel currency - at cost, plus index increase differentials from day of acquisition to report date, or at market on the report date (in respect of securities traded on an Exchange) or at valuation by management (in respect of securities not traded on an Exchange), whichever is lowest;
 - (b) if denominated in foreign currency - at the foreign currency cost, translated into shekel amounts at the exchange rate, plus index increase differentials from day of acquisition to report date, or at market on the report date (in respect of securities traded on an Exchange) or at valuation by management (in respect of securities not traded on an Exchange), whichever is lowest;
 - (3) in this direction, "exchange rate" - the official exchange rate on the day of acquisition or the representative exchange rate published by the Bank of Israel on the day of acquisition, as the case may be.
2.
 - (a) Fixed assets depreciated to a symbolic value or depreciated by more than the customary rate, shall be entered on the adjusted balance sheet at their value before depreciation.
 - (b) Fixed assets entered in the financial report with the addition of revaluation, shall for purposes of the adjusted balance sheet be entered at cost; consequently for purposes of the adjusted balance

sheet revaluation differentials and tax equalization reserves - including shares issued in this context - should not be taken into account.

(c) In the instances specified in this section, depreciation at customary rates is to be subtracted from the adjusted value.

3. Property acquired in the last month of the balance sheet year shall, for purposes of the adjusted balance sheet, be entered at cost, without adjustment to the last index.
4. The amounts for the acquisition of furniture, equipment and vehicles in the course of the year shall be adjusted as if they had been acquired in the middle of the year; however if during the year acquisitions were made for substantive amounts, then from those acquisition the adjustment shall be according to the last index published before the month of acquisition.
5. The adjusted value of securities shall be compared to their market value, for each item separately.
6. The amounts to be adjusted in respect of subsidiaries and affiliates, which were entered in the holding company's balance sheet at their balance sheet value (equity) shall be calculated according to the adjusted profit or loss of each of the subsidiaries and affiliates.
7. Capital and reserves, including capital notes and debentures convertible into shares, shall be presented in a single amount at their adjusted value; if the amount is not identical with the amount that appears on the company's balance sheet, such as the minority share and convertible debentures, than adjustment shall be made.
8. Obligations - life insurance and non life insurance reserves, allocations for pending claims, allocations for extraordinary risks and other obligations, other than convertible debentures and capital notes - shall be entered at their values in the financial report

August 27, 1981

Yoram Eridor
Minister of Finance