

INSURANCE BUSINESS (CONTROL) REGULATIONS (PROVISIONS IN INSURANCE CONTRACTS) 5742-1981

By virtue of my powers under sections 38 and 112 of the Insurance Business (Control) Law 5741-1981 I make these Regulations:

Definitions

1. In these regulations -
 "Insurance contract" - including an insurance contract with a group of insured persons, according to which personal policies were not issued for each insured person;

 "Profit sharing life insurance" - within its meaning in the Ways of Investment Regulations;

 "Investment portfolio" - the portfolio of assets, which the insurer holds against his obligations under profit sharing life insurance policies under regulation 3 of the Ways of Investment Regulations;

 "Ways of Investment Regulations" - the Insurance Business (Control) Regulations (Ways of Investing an Insurer's Capital, Reserves and Obligations) 5747-1986.

Territorial applicability

2. Notwithstanding any condition that restricts its territorial applicability, an insurance contract shall prescribe that it also applies in the areas, within their meaning in the Peace Treaty Between the State of Israel and the Hashemite Kingdom of Jordan 5755-1995.

Cancellation of insurance

3. It shall be stated in every insurance contract that - if the insurer cancelled the contract before the end of the agreed insurance period and the grounds therefore are not that the insured person violated the contract or tried to deceive the insurer - the insurer will pay the insured person the amount which he would have demanded from a similar insured person for the same type of insurance on the day of cancellation, in proportion to the time left until the end of the agreed insurance period.

Receipt and release

4. (a) When an insurer has approved the claim of an insured person under an insurance contract, then he shall require the insured person to sign a receipt and release only if, at the time of the signature, he pays the insurance benefits to the insured person.
(b) When an insurer has approved the claim of a third party under a liability insurance contract, then he shall pay the insurance benefits to the third party within fifteen days after the insurer received the

receipt and release in respect of that claim, duly signed by the third party.

Insurance of travelers abroad

5. (a) The following provisions shall be included in a contract for the insurance of travelers and their luggage on a trip abroad:
 - (1) if an insurance amount was set, limiting the insurer's liability for the luggage with no connection to its value, then the principle of underinsurance shall not apply the insurance of the luggage;
 - (2) insurance of the luggage shall begin when the traveler leaves his home on his way abroad, or - if he delivered the luggage to the carrier earlier - from the instant of delivery, and it shall end when he returns from abroad directly to his home, all within the agreed insurance period;
 - (3) insurance in respect of sickness or accident shall to any accident or any disease suffered by the insured person during the insurance period (hereafter: the event), except for any disease, in respect of which the insured person was under treatment or supervision when he went abroad or during six months before his departure, except when getting the treatment was one of the purposes of the trip; this insurance shall be restricted or extended insurance, as said in paragraphs (4) and (5) and the insurer shall propose that the insured person choose between them;
 - (4) under restricted insurance the insurer shall indemnify the insured person for the expenses specified below, which the insured person incurred or for which he assumed an obligation in direct consequence of the event:
 - a. hospitalization expenses, including payments to physicians, examinations and X-rays during the hospitalization;
 - b. ambulatory expenses in the hospital;
 - c. expenses for surgical operations and intensive care;
 - (5) under extended insurance the insurer shall indemnify the insured person for the expenses specified below, which the insured person incurred or for which he assumed an obligation in direct consequence of the event:
 - a. the expenses specified in paragraph (4);
 - b. expenses of medical treatment, including payments to physicians, examinations and X-rays not during the hospitalization;
 - c. expenses for medicines to treat the event;
 - d. reasonable expenses for the insured person's additional stay in hotels abroad beyond the insured period, if a professional opinion says that without the additional stay the insured person's life is in danger;
 - e. additional travel expenses incurred by the insured person, in excess of the travel expenses he would have had to pay

- in any case, because he returned to Israel before the date planned therefore, up to the insurance amount stated for that purpose in the policy, if a professional opinion says that it is vitally important that the insured person return to his permanent place of residence;
- f. additional travel expenses incurred by the insured person, in excess of the travel expenses he would have had to pay in any case, because he returned to Israel later than the date planned therefore, even if that date is after the end of the insurance period, up to the insurance amount stated for that purpose in the policy, if a professional opinion says that it is vitally important that the insured person remain abroad in consequence of the event;
 - g. for the purposes of subparagraphs a to c, "professional opinion" - a written opinion by a qualified physician of a recognized medical institution.
- (b) The provisions of subsection (a)(4) and (5) shall not derogate from the possibility that amounts or ratios of the insured person's participation be stated in the policy.
 - (c) The policy shall state an inclusive insurance amount for all types of expenses covered or separate amounts for each category of expenses.

Paying life insurance benefits

- 6. The following provisions shall be included in a life insurance contract:
 - (1) insurance benefits shall be paid within seven days after the insurance period or within seven days after the documents the policy requires therefore are submitted to the insurer, whichever is later;
 - (2) when a claim for the payment of insurance benefits has been submitted to the insurer, linkage differentials shall be added to it from the day on which the claim was submitted and interest at the yearly rate of 3% from thirty days after the said day;
 - (3) if no claim for the payment of insurance benefits was submitted to the insurer, but the insurer contacted the insured person or the beneficiary and informed him that the insurance benefits are at his disposal, but he did not collect them within 30 days after the day of the notification, then interest shall be added to them at the average of the rate paid by the five large banks in Israel on negotiable certificates of deposit on the day the insurance benefits are paid, and no linkage differentials shall be added to them;
 - (4) if no contact was created between the insurer and the insured person or the beneficiary after the end of the insurance period, then the insurer shall send the insured person or the beneficiary notice by registered mail of the insurance amount at their disposal; linkage differentials shall be added to the amount of insurance benefits from the thirtieth day after the end of the insurance period;
 - (5) for purposes of paragraphs (1) to (4), "linkage differentials" - within their meaning in the Adjudication of Interest and Linkage Law 5721-1961.

Management fees

- 6A. (a) If an insurer issues life profit sharing insurance policies, then he may collect management fees for the management of the investment portfolio in one of the following ways:
- (1) a fixed management fee that shall not exceed 0.07% per month of the revalued value of the investment portfolio;
 - (2) a fixed management fee that shall not exceed 0.05% per month of the revalued value of the investment portfolio, plus an amount of not more than 15% of the real return on the investment portfolio, after the deduction of the fixed management fee (hereafter: the addition), which shall be calculated and collected as specified below:
 - (a) the addition shall be calculated every year on annual an basis in positive or negative real terms;
 - (b) the insurer shall only collect a positive addition, but when calculating a positive addition the negative addition accrued in preceding years shall be subtracted;
 - (3) notwithstanding the provisions of subparagraph (a), in the year in which the insured person joined the insurance program and in the year in which the policy is redeemed the addition shall be calculated only from the day on which he joined or until the day of the redemption, as the case may be.
- (b) The rate of the management fee and the rate of the addition, as the case may be, shall be set in advance in the provisions of the policy.
- (c) The net yield for purposes of determining the beneficiary's or the insured person's rights under the policy shall be at the rate of the yield of the investment portfolio, less the fixed management fee or less the fixed management fee and addition, as the case may be.

Reports to insured persons

- 6B. (a) The insurance contract shall prescribe that the insurer who issues life insurance policies, including profit sharing life insurance policies, must send the insured persons every year, within three months after the end of his balance sheet year, a report in respect of the concluded year (hereafter: report year).
- (b) The report said in subregulation (a) shall include information according to the following subjects and particulars separately in respect of each of the programs in the policy and which were in effect at the end of the report year, correct as of that date (hereafter: report date):
- (1) identifying particulars of the program, including policy number, amount of insurance for the insurance event, type of linkage, redemption value and special redemption value, paid up value and special paid up value, balance of savings, ratio of the savings component of the premium to the total premium and to the total of premium payments in the report year - all as said in the schedule;
 - (2) the yield achieved by the insurer on the investment portfolio against profit sharing life insurance policies, stating separately

real yield, real yield less management fees within their meaning in regulation 6A, and the average real yield during the last four years, before and after deduction of aforesaid management fees;

- (3) breakdown of the insurer's investment portfolio against profit sharing life insurance policies, showing the proportion of investments in each of the following classification: government bonds, other debentures, shares and other securities, loans, bank deposits, real estate and other investments.
- (c) Insurers may change the report format prescribed by the table in the schedule, on condition that he report about all the particulars in these regulations.

Effect

- 7. These regulations shall apply to all insurance contracts concluded on or after January 1, 1982.

SCHEDULE
(Regulation 6b)

Tables for reports to policy holders under Regulation 6B, and instructions for filling them out.

A. The report to insured person, as said in regulation 6B, shall be drawn up as follows, by category of program

Particulars of report	Category of program							
	Endow- ment	Preferred (9)	Pure saving	Pension	Disability	Long Term Care	Pure risk	Other
(1) Policy Number								
(2) Amount of insurance								
(3) Surrender					N.R.	N.R.	N.R.	
(4) Paid up value		N.R.	N.R.		N.R.		N.R.	
(5) Savings balance	N.R.		N.R.	N.R.	N.R.	N.R.	N.R.	
(6) Total Premium								
(7) Type of linkage								
(8) Percent of savings	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.

(N.R. = not relevant)

B. Remarks on filling out the table:

- (1) for all categories of programs:
 - (a) all the amounts shall be linked or adjusted as of the report date, except for the premium, which shall be shown in nominal terms;
 - (b) In respect of every program, the amounts of insurance, redemption value, paid up value, and balance of savings shown in the table must include the bonuses related to the program, as a result of profits and according to the provisions of the insurance program.
- (2) The insurance amount in case of the insured event:
 - (a) for programs of the categories "mixed" and "preferred" - the amount to be paid to the beneficiaries in case of death;
 - (b) for programs of the category "risk only" (pure risk) - the amount to be paid to the beneficiaries in case of death, differentiating between one time payments and periodic payments;
 - (c) for programs of the category "savings only" (pure) - the amount payable at the end of the insurance period;
 - (d) for programs of the categories pension, loss of working capacity and nursing care - the monthly pension payable when the insured event occurs.

- (3) Redemption value - the amount payable, as of the report date, if the policy is cancelled, including the special amount as said for exceptional cases, if such there be (for instance: redemption value of Manager's Insurance, upon leaving the place of work).
- (4) Paid up value - the insurance amount for the insured event, assuming that premium payments have been stopped, including the special amount as said for exceptional cases, if such there be (for instance: special paid up value of Manager's Insurance, upon leaving the place of work).
- (5) Savings balance - the value of savings accruals as of the report date.
- (6) Premium total - the total of all kinds of payments paid in the course of the report year in respect of the program, in nominal terms, including the payment in January on account of December, if paid, in accordance with reports under the Income Tax Ordinance.
- (7) Type of linkage - the type of linkage of the insurance benefits, as the case may be.
- (8) Percent of savings - the percentage ratio between the savings component of the premium and the total premium, only in respect of the preferred program.
- (9) In programs of the preferred kind must also be included additional covers, these being the risk of death and savings, including one time savings.
- (10) Other - specify each other program separately (for instance: severe illness, surgery, professional invalidity, and so forth).

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