

INSURANCE BUSINESS (CONTROL) REGULATIONS (GROUP LIFE INSURANCE) 5753-1993

By virtue of my powers under section 38, 41 and 112 of the Insurance Business (Control) Law 5741-1941 I make these Regulations:

Definitions

1. In these regulations -
 "Insured group" - a group of at least one hundred individuals, insured with life insurance with a single policy under these regulations;

 "Group life insurance" - life insurance (risk) made by a group of insured persons, which does not include savings elements;

 "Policy holder" - any person who made a contract for group life insurance with an insurer.

Policy holder

2. A person shall contract for group life insurance only if he is one of the following:
 - (1) an employer - in respect of his employees and their spouses;
 - (2) a body corporate - in respect of its members and their spouses, on condition that obtaining group life insurance for its members is not the main objective of its incorporation;
 - (3) a service provider - in respect of recipients of his service, on condition that the service is not in the insurance business and the main purpose of the service is not the making of group life insurance.

Policy conditions and participation

3.
 - (a) An insurer shall issue a group life insurance policy only in compliance with these regulations; the policy shall include the conditions in these regulations.
 - (b) If the premiums or part thereof are paid by persons whose lives are insured, then persons may join only by a written letter of consent.
 - (c) If the number of participants in the group dropped below one hundred, then the policy shall not be renewed when it expires or at the end of the insurance period, whichever is earlier.

Cover and insurance amount

4.
 - (a) Risks of accident, health and invalidity may be added to a group life insurance policy.
 - (b) The insurance amount shall be an equal amount, or it shall be calculated according to age, wages, seniority or some other objective criterion, or according to a combination of them, all in respect of every insured person in a certain group of insured persons.

Policy holder's declaration

5. Before a group life insurance policy is issued, or when additional insured persons are added to the group, the policy holder shall deliver to the insurer a declaration that the group of insured persons or those who join it accord with the provisions of regulations 2 and 3(b).

Certificate for insured person

6. The insurer shall - directly or through the policy holder - give a certificate to each individual in the group of insured persons, specifying the rights he has by virtue of the policy, as well as the following particulars:
 - (1) the name of the insured person and an identification of the group insurance policy that applies to him;
 - (2) restrictions on the extent of cover, and also the circumstances - if any - under which his rights under the policy will lapse, and his rights upon the said lapse;
 - (3) the amount of premiums and when they must be paid;
 - (4) the insured amount or the ways of its calculation under regulation 4.

Insurance period

7. The insurance period under a group life insurance policy is one year.

Premiums

8. The policy holder shall forward to the insurer the full amount of insurance premiums for the insured group; the policy holder may collect the insurance premium for the group life insurance, or part thereof, from the persons insured in the group, subject to the provisions of these regulations.

Commissions

9.
 - (a) The amount of commission paid by an insurer to an insurance agent in respect of a group life insurance policy shall not be more than 5% of the gross premiums.
 - (b) The insurer must not pay any commission to the policy holder; for this purpose, "commission" -fees, wages, participation in expenses, participation in profits or any other benefit, all whether direct or indirect.
 - (c) If the policy includes a stipulation on profit sharing, then the profits shall be passed to whoever paid the premiums.

Records

10. For each group life insurance policy the insurer shall keep the following records:
 - (1) the data on which making the insurance and setting the premiums were based;
 - (2) changes in the premium because of an increase or decrease in the insured group;
 - (3) data on the appropriateness of the premiums, in the light of the experience with claims;
 - (4) data on calculating profit sharing.

Calculating the reserve

11. The reserve for group life insurance shall be calculated as prescribed in the Schedule

Annual report

12. The insurer shall submit an annual report of group life insurance business to the Commissioner of Insurance, in a manner and using forms as the Commissioner will prescribe.

Transitional provision

13. Group life insurance policies, which are in effect when these regulations go into effect and do not comply with these regulations, not be renewed when they expire or at the end of the insurance period, whichever is earlier.

Repeal

14. Insurance Business (Control) Regulations (Group Life Insurance) 5730-1970 are repealed.

SCHEDULE
(Regulation 11)

Calculating the Insurance Reserve

The reserve of group life insurance (R) shall be calculated with the following formula and according to mortality table A₆₇₋₇₀:

$$R = 3 \times S + P + D + C + 0.8 \times A$$

where -

S = the standard deviation of expected claims, calculated for all the policies and not for each group separately; if data for the calculation of the variation of claims in a group of insured persons are missing, the variation may be estimated by use of the formula

$$S^2 = SB^2 \times N \times Q \times 2$$

for this matter -

SB = the average amount of insurance per insured person in the group

N = the number of insured persons in the group

Q = the probability of a claim by a member of the group;

P = the net premium (premium in advance, less commission in advance)

D = obligation to insured persons for profits;

C = pending claims, including an estimate of claims for which the insurer has not yet received reports (IBNR);

A = the differential between expected claims and expected premiums for the coming year, if the policy is expected to be renewed and if the said differential is positive.

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