

Insurance Contract Law – 1981

Chapter One: Provisions for All Classes of Insurance

Article One: Insurance Contract

1. An insurance contract is a contract between an Insurer and an Insured which obligates the Insurer, in consideration of insurance premium, to pay insurance benefits to the beneficiary upon the occurrence of the event Insured against.

What is an Insurance contract?

2. (a) Where an insurance contract has been concluded, the Insurer will deliver to the Insured a document signed by the Insurer specifying the rights and obligations of the parties (hereinafter: '**policy**') unless it is customary in the class of insurance concerned not to issue a policy.

Policy (amended 1984)

(b) So long as the policy has not been delivered to the Insured, the conditions customary with that Insurer in the class of insurance concerned, as submitted to the Commissioner of Insurance under section 16 of the Control of Insurance Business Law, 1981, or as submitted or permitted, according to section 40 of the said law, will be regarded as agreed between the parties unless a deviation from those conditions has been agreed upon between them.

3. Any condition or exclusion to liability of the Insurer or on the extent thereof shall be specified in the policy close to the subject to which it relates or be indicated therein with special emphasis. The Insurer is not entitled to rely on a condition or exclusion in respect of which this provision is not complied with.

Duty to Give Emphasis to Exclusions

4. Where the contract refers to a reply given by the Insured in writing to a question put to him by the Insurer, a copy of such reply will be attached to the policy. The Insurer is not entitled to rely on a reply of which no copy is attached to the contract.

Documents attached to the Policy.

5. The Insurer will deliver to the Insured and to the beneficiary, at the request and at the expense of the Insured, transcripts of the policy and of the documents attached thereto.

Delivery of Transcripts.

6. (a) Where before the conclusion of the contract the Insurer asks the Insured in writing, either on the insurance proposal form or otherwise, a question as to a point likely to affect the willingness of a reasonable Insurer to conclude the contract at all or to conclude it on the conditions contained in it (hereinafter: '**material matter**'), the Insured will reply to it in writing completely and straightforwardly.

Duty of Disclosure.

(b) A sweeping question, embracing various matters without

differentiating between them, requires no reply as aforesaid unless it is reasonable at the time of the conclusion of the contract.

(c) The concealment by the Insured, with fraudulent intent, of something he knows to be a material matter will be treated as the giving of a reply which is not complete and straightforward.

7. (a) Where a reply which is not complete and straightforward is given to a question concerning a material matter, the Insurer may, within thirty days from the day on which he becomes aware of this and so long as the event Insured against has not occurred, cancel the contract by written notice to the Insured.

Consequences
of non-
Disclosure

(b) Where the Insurer cancels the contract by virtue of this section, the Insured is entitled to a refund of the insurance premium paid by him for the period subsequent to the cancellation, less the expenses of the Insurer, unless he acted with fraudulent intent.

(c) Where the event Insured against occurs before the insurance contract is canceled by virtue of this section, the Insurer is only liable to such part of the insurance benefits as bears to the whole thereof the same proportion as the agreed insurance premium bear to the premium which, according to his usual practice, would have been paid on the basis of the true situation; and he is altogether discharged from liability if any of the following is the case:

(1) the reply was given with fraudulent intent;

(2) a reasonable Insurer would not have entered into the contract, even for higher premium, had he known the true situation; in this case, the Insured is entitled to a refund of the premium paid by him for the period subsequent to the occurrence of the event Insured against, less the expenses of the Insurer.

8. In any of the following cases, the Insurer is not entitled to the remedies mentioned in section 7 unless the reply which was not complete and honest was given with fraudulent intent:

Denial of
Remedies

(1) he knew or should have known the true situation at the time of the conclusion of the contract or he caused the reply not to be complete and honest;

(2) The fact in respect of which a reply which was not complete and honest was given ceased to exist before the occurrence of the event Insured against or did not affect its occurrence or the liability of the Insurer or the extent thereof.

9. (a) Unless otherwise agreed upon, the period of insurance begins upon the conclusion of the contract and ends at midnight at the close of its last day.

Period of
Insurance

(b) Where the period of insurance has been agreed upon and the Insured proposes to the Insurer, in writing, not later than thirty days before the expiration of the period, to extend the insurance for a period specified in the proposal, the Insurer will be regarded as agreeing to the extension unless he notifies the Insured, in writing, of his refusal within fifteen days from delivery of the proposal.

(c) Where it is stipulated that upon expiration of the agreed period the insurance will be extended automatically - the insurance will be extended each time for the agreed period of insurance.

(d) Where the period of insurance has not been agreed upon, either party may cancel the insurance at any time by written notice to the other party; The Insured will be entitled to a refund of the premium paid by him in respect of the period subsequent to the cancellation of the insurance.

10. (a) Where the Insurer has notified regarding cancellation of the contract in accordance with the conditions thereof or in accordance with this Law, the contract is rescinded upon the lapse of fifteen days from the day on which notice of the cancellation is given to the Insurer. .

Cancellation of
the Contract.

(b) Where the Insured has notified regarding cancellation of the contract in accordance with the conditions thereof or, according to this Law, the contract is rescinded 3 days from the date of notification to the Insurer.

Article Two: The Beneficiary

11. (a) The Insured is also the beneficiary unless another has been designated as beneficiary.

Who Is a
Beneficiary

(b) A beneficiary will be designated in a manner enabling his identification.

(c) As long as the event Insured against has not occurred, the Insured may, by written notice to the Insurer, designate a beneficiary other than himself, and he may revoke the designation and designate another beneficiary instead of the latter but the designation will be irrevocable if so provided in the contract or in the written notice from the Insured to the Insurer.

(d) It is possible to designate a beneficiary in respect of only part of the Insurance benefits.

12. (a) Where a beneficiary other than the Insured has been designated, the right to the insurance benefits will vest in the beneficiary; this provision will not derogate from the right of the Insured to claim from the Insurer to pay the insurance benefits to

Status of the
Beneficiary

the beneficiary.

(b) An argument which the Insurer may raise towards the Insured will also be available to him towards the beneficiary and he may set off insurance premium due to him under the contract against the insurance benefits.

13. (a) The designation of a beneficiary other than the Insured will not, so long as the event Insured against has not occurred, prevent the Insured from transferring or charging his rights under the contract or prevent the creditors of the Insured from attaching these rights. However, where the designation of the beneficiary is irrevocable, a transfer of or charge on the rights of the Insured shall require the written consent of the beneficiary, and the creditors of the Insured will not put attachments on these rights.

Rights of the
Insured and
the Beneficiary

(b) The right of the beneficiary cannot be transferred, charged or be attached so long as the event Insured against has not occurred unless the designation of the beneficiary is irrevocable.

Article Three: Insurance Premiums

14. (a) The insurance premium will be paid upon the conclusion of the contract or within a reasonable time thereafter and where they have been fixed for specific periods, at the beginning of each period.

Time of
Payment

(b) Where the insurance is for several years and the premium has been fixed at an inclusive amount, the premium will be paid in equal annual installments at the beginning of each year of insurance.

15. (a) Where the premium or part thereof was not paid in due time and was also not paid within fifteen days after the Insurer demanded the Insured in writing to pay it, the Insurer may notify the Insured, in writing, that the contract will be rescinded upon the lapse of twenty one additional days unless the overdue amount is paid before then.

Delay in
Payment

(b) Where a beneficiary other than the Insured has been designated and the designation is irrevocable, the Insurer will not cancel the contract unless he has notified the beneficiary in writing of the delay in payment and the beneficiary has not paid the overdue amount within fifteen days from the day on which the notification was delivered to him.

Article Four: Changes As To The Risk

16. (a) An insurance contract to cover a risk which at the time of the conclusion of the contract has already ceased to exist or to

Risk no longer
Exists.

insure against an event which at that time has already occurred - will be void.

(b) Where the event Insured against becomes impossible after the conclusion of the contract, the insurance contract will terminate automatically and the Insured will be entitled to a refund of the premium paid by him in respect of the period subsequent to the termination.

17. (a) Where the Insured becomes aware that a material change has occurred, he will immediately notify the Insurer to such effect in writing.

Duty to Notify
Increase of
risk.

(b) For the purposes of this article, '**material change**' means any of the following:

(1) a change in a material matter concerning which, a question was put to the Insured before the conclusion of the contract, such change occurring after a reply to this question was given;

(2) a change which after delivery of the policy to the Insured occurred in respect of a matter expressly indicated therein as a material matter;

(3) the discovery that the reply to a question concerning a material matter was incorrect and that the risk of the Insurer is substantially increased in consequence.

18. (a) Within thirty days from the day on which notice of a material change is delivered to the Insurer or from the day on which he otherwise becomes aware thereof, whichever is the earlier, and so long as the event Insured against has not occurred, the Insurer may cancel the contract by written notice to the Insured .

Effects of
Increase in
Risk.

(b) Where the Insurer cancels the contract by virtue of this section, the Insured is entitled to a refund of the premium paid by him in respect of the period subsequent to the cancellation unless he acted with fraudulent intent. Where the Insurer does not cancel the contract, he will be regarded as agreeing to its continued existence notwithstanding the change.

(c) Where the event Insured against occurs before the contract is canceled by virtue of this section, the Insurer is only liable to such part of the insurance benefits as bears to the whole thereof the same proportion as the agreed insurance premium bear to the premium which according to his usual practice was to have been paid in the situation subsequent to the change; and he is altogether free from liability if any of the following is the case:

(1) notice under section 17 was not given, the omission being made with fraudulent intent;

(2) a reasonable Insurer would not have entered into the contract, even for higher premium, had he known what the situation was after the change; in this case, the Insured is entitled to a refund of the premium paid by him in respect of the period subsequent to the change.

19. In any of the following cases, the Insurer is not entitled to the remedies mentioned in section 18:

(1) where the change ceased to exist before the occurrence of the event Insured against or did not affect its occurrence or the liability of the Insurer or the extent thereof;

(2) where the change was the result of a measure taken with the approval of the Insurer;

Denial of remedies.

(3) where the change was the result of a measure taken to prevent grave damage to a person or to property, provided that the Insured notified the Insurer, in writing, of the taking of the measure immediately after he took it or became aware that it had been taken.

20. Where the premium was fixed in the light of circumstances increasing the risk of the Insurer and after such fixing those circumstances ceased to exist or to affect the risk of the Insurer, the Insured is entitled to a reduction of the premium, except the expenses of the Insurer, in respect of the period after he notified the Insurer of the change, to the amount which according to the Insurer's usual practice would have been payable, at the time the premium was fixed, in the absence of those circumstances.

Reducing the Risk.

21. Where it has been stipulated that the Insured or the beneficiary will take some measure to materially reduce the risk of the Insurer and such measure is not taken within the time fixed therefor, the provisions of section 18 and 19 will apply with the necessary adaptations.

Measures to reduce the Risk.

Article Five: Insurance Benefits

22. Where the event insured against has occurred, the Insured will notify the Insurer of the fact immediately upon becoming aware thereof, and the beneficiary will, immediately upon becoming aware of the fact, notify the Insurer thereof and of his right to the insurance benefits. The giving of notice by one of them relieves the other of his duty.

Notice of occurrence of event Insured against.

23. (a) When notice of the occurrence of the event Insured against and a claim in writing for payment of the insurance benefits have been delivered to the Insurer, the Insurer will immediately do what is

Ascertainment of the liability of the Insurer.

necessary to ascertain his liability.

(b) The Insured or the beneficiary, as the case may be, will deliver to the Insurer, within a reasonable time after being requested to do so, the information and documents required for ascertaining the liability, and if they are not in his possession, he will, to the best of his ability, assist the Insurer to obtain them.

24. (a) Where a duty under section 22 or 23 (b) is not fulfilled in time, and its fulfillment would have enabled the Insurer to reduce his liability, the Insurer is required to pay insurance benefits to the extent only that he would have been required to do so had the duty been fulfilled. This provision will not apply in either of the following cases:

(1) where the duty was not fulfilled or was fulfilled late for justifiable reasons;

(2) where its non-fulfillment or late fulfillment did not prevent the Insurer from ascertaining his liability and did not hinder its ascertainment.

(b) Where the Insured or the beneficiary intentionally does something that prevents or hinders the Insurer from ascertaining his liability, the Insurer is liable to pay insurance benefits only to the extent that he would have been liable to do so had the aforesaid not been done.

25. Where a duty under section 22 or 23 (b) is infringed or anything mentioned in section 24 (b) is done or the Insured or the beneficiary communicated false facts to the Insurer or conceals from him facts relative to the Insured event or to the liability of the Insurer, and the same is done with fraudulent intent, the Insurer is discharged from his liability.

26. Where the event Insured against is brought about intentionally by the Insured or by the beneficiary, the insurer is discharged from liability.

27. The insurance benefits will be paid within thirty days from the day on which the Insurer is in possession of the information and documents required for the ascertainment of his liability, however, insurance benefits not disputed bona fide will be paid within thirty days from the day on which a claim under section 23 (a) is submitted to the Insurer, and they may be claimed separately from the remainder of the benefits.

28. (a) Linkage differentials within their meaning in the Interest and Linkage Law, 5721-1961, from the date of the Insured event, and linked interest at the rate set in section 1 of the said law, under the definition of "**Linkage differentials and interest**" from the expiration of thirty days from the said date, will be added to the insurance benefits; this provision will not derogate from the power of the Court

Obstruction of
ascertainment
of Liability.

Fraud in claim
for Benefits.

Event brought
about
Intentionally.

Time for
payment of
Benefits.

Linkage and
Interest
(amended
1984, 2001).

under the said Law.

(b) Where the insurance benefits, or part thereof, were calculated as their value at the date subsequent to the occurrence of the Insured event, the differential linkage will be added to the benefits, or part thereof, accordingly, from the said date only.

(c) Where the Insurer has to refund insurance premium to the Insured or the beneficiary, linkage differentials and interest, as provided in subsection (a), will be added thereto from the date on which the obligation accrued.

(d) The provisions of subsection (a) will not apply to insurance benefits paid in foreign currency or Israeli currency linked to a value of a foreign currency, however, to these benefits an interest in the amount determined in Article 4 (a) of the Interest and Linkage Law, 5721-1961, will be added from the expiration of thirty days from the date the claim is submitted to the Insurer.

28A. An Insurer of personal insurance, who did not pay insurance benefits which were not disputed in good faith, at the dates set in Section 27, the Court will order him and regarding an Insurer of non-personal insurance, the Court may order him - to pay special interest at a rate not higher than twenty times interest set as differential linkage and interest as defined in the Interest and Linkage Law, 1961, that will be calculated and added to both the said insurance benefits and the addition of differential linkage to these benefits according to Section 28, starting from the dates at which the Insurer had to pay these benefits, and ending at the date of the actual payment; The special interest will be paid in addition to the said interest according to Section 28. In this section, "Personal Insurance" - includes Life Insurance, Personal Injury Insurance, Motor Vehicle Insurance (Property), Apartment Insurance and the insurance of apartment contents, but not including Professional Indemnity Insurance.

Special
Interest.

(amended
1988,
amended
2016)

29. Where the liability of the Insurer, or the extent thereof, is conditional, by law or under the contract, on an act or omission of the Insured or the beneficiary which does not substantially affect the liability of the Insurer, the Court may, if it deems it just so to do in the circumstances of the case, order the Insurer to pay the whole or part of the insurance benefits even if the condition has not been fulfilled or has been infringed.

Special Relief.

30. The Insurer is liable to pay the insurance benefits even where the event Insured against occurs more than once during the period of insurance, provided that he will not in the aggregate have to pay more than the amount of insurance within the meaning of section 56.

Recurrence of
the event
Insured
against.

31. The period of prescription of a claim for insurance benefits is three years after the occurrence of the event Insured against. Where

Prescription.

the cause of the claim is disability sustained by Insured as a result of illness or accident, the prescription period will be counted from the date on which the Insured had the right to sue for insurance benefits according to the terms of the insurance contract.

(amended
2014).

Where the cause of the claim is disability sustained by Insured as a result of illness or accident, the prescription period will be counted from the date on which the Insured had the right to sue for insurance benefits according to the terms of the insurance contract.

Article Six: The Insurance Agent

32. In this article, '**insurance agent**' is anyone who carries out The business of insurance brokering between Assureds and Insurers.

Definition

33. (a) For the purposes of negotiations for the conclusion of an insurance contract and for the purposes of the conclusion of the contract, the insurance agent will be regarded as the agent of the Insurer unless he acts as agent the Insured upon his written request.

Agency for the
purpose of the
contract.

(b) For the purposes of the duty of disclosure at the conclusion of the insurance contract, the insurance agent's knowledge of the true facts concerning a material matter will be regarded as the Insurer's knowledge thereof.

34. For the purposes of the receipt of the insurance premium, the insurance agent who brokered the insurance or is indicated in the policy as the insurance agent will be regarded as the agent of the Insurer unless the Insurer has notified the Insured in writing that the premium should not be paid to that agent.

Agency for the
purpose of
Insurance
Premium.

35. For the purposes of notices by the Insured or the beneficiary to the Insurer, the Insurance agent who brokered the insurance or is indicated in the policy as the Insurance agent, will be regarded as the agent of the Insurer unless the Insurer has notified the Insured and the beneficiary, in writing, that notices will be sent to another address.

Agency for the
purpose of
notifications.

36. The provisions of the Law of Agency, 5725-1965, will apply to an agency as defined in sections 33 to 35, with the necessary adaptations.

Application of
the Law of
Agency.

Article Seven: Miscellaneous Provisions

37. (a) Notice by the Insurer to the Insured or the beneficiary will be sent to his last address known to the Insurer.

Notices

(b) Notice by the Insured or the beneficiary to the Insurer will, at the option of the giving it, be sent to the address of the Insurer's

place of business, to the Insurance agent referred to in section 35 or to some other person in Israel whose address is stated in the policy or whom the Insurer has indicated in writing to them.

(c) If the Insurer has no place of business in Israel, and no address of some other person in Israel is given, the Insurer is not entitled to contend that notice by the Insured or the beneficiary has not been given or has been given out of time.

38. The remedies of the Insurer under sections 7, 15, 18,24 and 25 will, in the matters dealt with therein, exclude his remedies under any other law.

Exclusivity of remedies.

39. (a) The provisions of sections 2 to 4, 21 ,25, 26, 33(b), 34, 35 and 38 will not be stipulated against.

Restriction of Stipulation. (amended 1982)

(b) The provisions of sections 5 to 8, 9(c), 13, 15, 17, 18, 19, 22 to 24, 27, 28, 31 and 37 will not be stipulated against unless it be to the advantage of the Insured or the beneficiary.

40. The provisions of this chapter will apply to all classes of insurance, unless another chapter of this Law, or another Law, contains special provisions as to the matter under reference.

Application.

Chapter Two: Life Insurance

41. In life insurance, the event Insured against is the death of the Insured or of another, or his or another's attaining a specific age, or some other event in his or another's life other than an accident, sickness and disability.

Essence of the Insurance

42. (a) Where the event Insured against is the death of a person other than the Insured, the contract requires the written consent of that person, and, if he is a minor or a legally incompetent person, the consent of his representative within the meaning of the Capacity and Guardianship Law -1962.

Insurance of a person other than the Insured.

(b) This section will not apply to the life insurance of a group of persons the composition of which is likely to change during the period of insurance while the beneficiaries are the same persons or their heirs.

43. The Insurer will not be entitled to the remedies set out in section 7 after three years from the conclusion of the contract has passed, except if the Insured person or the person whose life has been Insured acted with fraudulent intent.

Restriction as to Remedies.

44. (a) Where the spouse of the Insured is designated as a beneficiary without being named, the person who was his spouse when the Insured event occurred, will be entitled to the insurance

Beneficiaries.

benefits and where relatives are designated, the relatives who were alive when the event occurred. Where children or offspring are designated, an adoptee and a person born within 300 days after the event occurred are included.

(b) Where several beneficiaries are designated and their shares are not fixed, the insurance benefits will be apportioned in equal shares.

(c) Where a beneficiary other than the Insured dies before the Insured event occurs, his spouse or his offspring will be entitled to the insurance benefits under the law according to the rules of apportionment succession. If there are no such survivors, or if the beneficiary renounces his right before the insured event occurs, the right to the insurance benefits will vest in the Insured.

45. (a) The Insured may cancel the contract at any time by written notice to the Insurer.

Cancellation of
the contract.

(b) Where a beneficiary other than the Insured is designated irrevocably and the Insured cancels the contract by virtue of this section, the Insurer will immediately notify the beneficiary of the cancellation, in writing, indicating the provisions of this subsection, and the beneficiary may, not later than thirty days from receipt of the Insurer's notification, take over the contract, with the rights and obligation arising therefrom, by written notice to the Insurer. Where the beneficiary gives notice as aforesaid, the contract will continue to be in force, and if it has meanwhile been cancelled, it shall revive, with the beneficiary taking the place of the Insured.

(c) Where a beneficiary other than the Insured is designated irrevocably and the contract is cancelled otherwise than by virtue of subsection (b), the Insurer will immediately notify the beneficiary in writing of the cancellation.

46. (a) After the insurance premium has been paid in respect of two years, the Insured may, by written notice to the Insurer, request the conversion of the insurance into paid-up insurance or the redemption of the policy.

Conversion
and
redemption
amended
2001)

(b) Where the Insured requests the conversion of the insurance into paid-up insurance, the insurance benefits will, upon the expiration of the current period for which premium is payable, be reduced to the amount fixed for this purpose in the policy, and the duty to pay premium will cease from that date.

(c) Where the Insured requests the redemption of the policy, the Insurer will pay him the redemption value fixed for this purpose in

the policy within 30 days from the day on which the request is delivered to him or within such longer time, not exceeding 90 days, specified by the Insured in the request. Linkage differentials, within the meaning of the Adjudication of Interest and Linkage Law, 1961, will be added to the redemption value from the date of delivery of the request or from the date said therein, and interest at the rate of linked interest in the rate determined in the definition of "differential linkage and interest" as defined in Section 1 of the said law, will also be added thereto from the expiration of 30 days from the said date.

(d) The Insured may limit his request to part of the insurance.

(e) Where a beneficiary other than the Insured has been designated irrevocably, the Insured's request requires the written consent of the beneficiary.

47. Cancellation of the contract by the Insurer will not derogate from the Insured's right to redemption of the policy, and cancellation as aforesaid for non-payment of premium, will also not impair his right to conversion of the insurance, provided that the request for conversion is made within 30 days from delivery of the Insurer's notice of cancellation.

Conversion and redemption notwithstanding cancellation of the contract. (amended 1982)

Policy as security for loan

48. Where the Insured pledges his rights under a redeemable policy to the Insurer as security for a loan made to him by the Insurer and the loan is not repaid in due time, the Insurer will not set off the loan against the redemption value of the policy unless he has demanded from the Insured, in writing, to repay the loan within the period in which the Insurer must pay the redemption value and the loan is not paid within that period.

Policy as security for loan.

49. The provisions of sections 17 to 19 will not apply to life insurance.

Restriction on application of provisions.

Suicide of the person whose life is insured.

50. In life insurance, the insurance benefits are due also if the person whose life is Insured commits suicide when a period of one year or more has passed since the conclusion of the contract.

Suicide of the person whose life is insured.

51 (a) Where a beneficiary other than the Insured is designated

Adoption of

and the Insured dies while the person whose life is Insured is still alive, the Insurer will notify the beneficiary of the death, in writing, and, within thirty days from the date of the notification, the beneficiary may, by written notice, take over the contract with the rights and obligations arising therefrom.

Contract.

(b) Where a beneficiary other than the Insured is designated and a bankruptcy order or winding-up order is made against the Insured, the beneficiary may take over the contract as specified in subsection (a); but if the designation is not irrevocable, he will pay to the trustee-in-bankruptcy or the liquidator, as the case may be, the redemption value of the policy as at the time of the making of the order.

52. (a) The provisions of sections 42, 49 and 51 will not be stipulated against.

Restrictions as to stipulation.

(b) The provisions of sections 43, 45 to 48 and 50 will not be stipulated against unless it be to the advantage of the Insured or the beneficiary.

Chapter Three: Accident, Sickness and Disability Insurance

53. The event Insured against in accident insurance is an accident which occurs to the Insured or to another, in sickness insurance it is sickness from which he suffers and in disability insurance it is disability with which he is afflicted.

Essence of the Insurance.

54. (a) The provisions of Chapter Two will apply with the necessary changes to accident, sickness and disability insurance in which the Insurer has to pay insurance benefits at a rate agreed upon in advance, independently of the amount of the damage caused.

Application of Provision.

(b) The provisions of sections 42, 49, 52, 56, 61, 62 and 64 will apply with the necessary changes to accident, sickness and disability insurance in which the Insurer has to pay insurance benefits in accordance with the amount of the damage caused.

Chapter Four: Insurance against Damage

Article One: Property Insurance

55. (a) In property insurance, the Insurer must indemnify for damage caused to the Insured or the beneficiary due to loss of or damage to the Insured property.

Essence of the Insurance.

(b) The Insured property may belong to the Insured or to another.

56. (a) The Insurer's duty of indemnification will extend to the amount of the damage caused, provided that it will not exceed the amount he has undertaken to pay in the contract (hereinafter: "amount of insurance"). The amount of insurance - except amount of insurance set in foreign currency or in Israeli currency linked to a foreign currency, will vary in accordance with the variations of the consumer price index published from time to time by the Central Bureau of Statistics - or of some other index published as aforesaid and agreed upon by the parties -between the figure published immediately before the conclusion of the contract and the figure published immediately before the occurrence of the event insured against.

Extent of liability
(amended 1984).

(b) An amount of insurance in foreign currency or in Israeli currency linked to a foreign one, will not be set in a contract, unless the foreign currency is included in the list of the Commissioner of Insurance, for the purpose of this matter.

(c) The insurance benefits will be calculated as to place the beneficiary, as far as possible, in the position in which he would have been had the event insured against not occurred.

(d) Where the parties have agreed in advance on the amount of indemnification, the insurance benefits will be as agreed, independently of the amount of the damage caused.

57. The insurance of any property against a specific risk covers also damage caused to it by taking reasonable measures to save it from that risk.

Enlargement of
liability.

58. Where at or after the time of the conclusion of the contract the amount of insurance unreasonably exceeds the value of the Insured property, each party may, at any time during the period of insurance, request the reduction of the amount of insurance to not less than the value of the property at the time of the request. Where the reduction is requested, the amount of insurance will be reduced, and the insurance premium will be reduced correspondingly from the date of the request.

Overinsurance.

59. (a) Where any property is Insured against the same risk with more than one Insurer for overlapping periods, the Insured will notify the fact to the Insurers, in writing, immediately after the double insurance is effected or after he becomes aware of it.

Double
Insurance.

(b) Where any property is double-Insured and the aggregate of the amounts of insurance unreasonably exceeds the value of the property, the Insured and each of the Insurers may, at any time during the period of insurance, request the reduction of the amounts of insurance to not less than the value of the property at

the time of the request. Where the reduction is requested, the amounts of insurance will be reduced in accordance with the ratio between them, and the insurance premium will be reduced correspondingly from the date of the request.

(c) In double insurance, the Insurers are jointly and severally liable to the Insured in respect of the overlapping amount of insurance.

(amended 1984)

(d) The Insurers will bear the burden of obligations inter se in accordance with the ratio of the amounts of insurance.

(amended 1984)

60. Where at the time of the conclusion of the contract, the amount of insurance is less than the value of the insured property, the liability of the Insurer will be reduced to such part thereof as bears to the whole thereof the same proportion as the amount of insurance bears to the value of the property at the time of the conclusion of the contract.

Underinsurance.

61. (a) The Insurer is not liable to pay insurance benefits for damage which the Insured could have prevented or reduced, upon or after the occurrence of the Insured event, by taking reasonable measures or measures which the Insurer had instructed him to take.

Reduction of
Damage.

(b) Where upon or after the occurrence of the insured event, the Insured or the beneficiary incurs reasonable expenses to prevent or reduce the damage or incurs reasonable liabilities for this purpose, the Insurer will indemnify him, whether or not the damage is prevented or reduced. Where the expenses or liabilities are unreasonable, the Insurer will make indemnification to the extent that they are reasonable in the circumstances; In either case, even beyond the amount of insurance.

(c) The provisions of this section will not apply to insurance in which the parties have agreed on an amount of indemnification under section 56(c).

62. (a) Where, by reason of the event Insured against, the Insured has a right to compensation or indemnification also against a third person, otherwise than by a contract of insurance, such right passes to the Insurer when and to the extent that he has paid insurance benefits to the beneficiary .

Subrogation.

(b) The Insurer will not exercise a right which has passed to him under this section in such manner as to impair a right of the Insured to collect from the third person compensation or indemnification in excess of the benefits he has received from

the Insurer.

(c) Where the Insured has received from the third person compensation or indemnification due to the Insurer under this section, he will transfer it to the Insurer. If he has made a compromise or waiver, or done any other act, prejudicial to the right of the Insurer, he will compensate him therefor.

(d) The provisions of this section will not apply where the event Insured against was brought about unintentionally by a person from whom a reasonable Insured would not claim compensation or indemnification by reason of a family relationship or employer-employee relationship between them.

63. In insurance against non-payment of a debt, the right of the Insured against the debtor passes to the Insurer when and to the extent that he has paid insurance benefits to the Insured, and the provisions of section 62(b) and (c) will apply the necessary changes.

Insurance of Debts.

64. The provisions of sections 56, 57, 59 (a) to (c), 61 and 62 will not be stipulated against unless it be to the advantage of the Insured or the beneficiary.

Restrictions of stipulations.
(amended 1984).

Article Two: Liability Insurance

65. In liability insurance, the Insurer must make indemnification for a monetary liability which the Insured may be liable towards a third party;
The insured event falls on the day which the cause of liability arises.

Essence of the Insurance.

66. Liability insurance covers also reasonable legal costs which the Insured has to bear by reason of his liability, even in so far as such costs are in excess of the amount of insurance.

Extent of liability of Insurer.

67. The provisions of sections 56, 59, 61 and 62 will apply with the necessary changes to liability insurance, and will not be stipulated against, with the exclusion of section 59 (d) unless it be to the advantage of the Insured or the third party.

Application of provision
(amended 1984).

68. In liability insurance, the Insurer may, and at the request of the third party must, pay to the third party the insurance benefits owed to the Insured by the Insurer, provided that he notifies the Insured in writing thirty days in advance and the Insured does not object during that period; but any argument available to the Insurer

Status of the Third Party.

against the Insured may also be raised by him against the third party.

69. (a) Where one of the events specified hereunder has occurred in respect of a person Insured by liability insurance, and before or after its occurrence the Insured incurred towards a third party a liability covered by the insurance, the rights of the Insured against the Insurer in respect of that liability shall not become part of his assets but will pass to the third party, who may sue the Insurer by virtue of these rights, but any argument available to the Insurer against the Insured may also be set up by him against the third party.

Bankruptcy or
Liquidation of
Insured.

(b) The events referred to are the following: :

(1) The Insured has been declared bankrupt or has reached a compromise or arrangement with his creditors in bankruptcy proceedings;

(2) The Insured has died and an order has been made for the administration of his estate in bankruptcy;

(3) In the case of the Insured being a body-corporate a liquidation order has been made against it or a receiver has been appointed for it or an administrator has been appointed for its business or his plant or a resolution has been passed by it for its voluntary liquidation, other than voluntary liquidation for the purpose of a change of structure or of merger with another body corporate.

70. In liability insurance, the claim for insurance benefits does not prescribe so long as the claim of the third party against the Insured person has not prescribed.

Restriction of
prescription.

71. (a) The provisions of sections 66 and 68 to 70 will not be stipulated against.

(b) An act of the Insured, the Insurer, the trustee in bankruptcy, the liquidator, the receiver or the administrator cannot impair the right of the third party under sections 68 and 69.

Restriction as
to stipulations
and acts.

Chapter Five: Miscellaneous

72. (1)(a) The provisions of this Law, with the exception of section 62, will not apply to reinsurance;

(2) The provisions of this Law, with the exception of sections 62 and 69, will not apply to marine insurance and aviation insurance.

Restrictions as
to application.

(amended
1984).

(b) The Minister of Justice may with the approval of the Constitution Legislation and Juridical Committee of the Knesset, prescribe by order classes of transactions to which all or part of the provisions of this Law will not apply.

73. The provisions of this Law will apply where the Motor Vehicles Insurance Ordinance (New Version), 5730-1970, or any other Law contains no special provisions for the matter concerned.

Protection of
Laws.

74. These are hereby repealed:

(1) the Ottoman Insurance Law of the year 1323 (1904);

Repeals.

(2) the Assurance of Insurance Benefits (Third-Party) Law, 5737-1976.

75. (a) This Law will come into force on the 8th Tevet, 5742 (1st January, 1982): Provided that section 28(a) will come into force three months from the date of publication of this Law in Reshumot.

Commencement
and transitional
provisions.

(b) The previous law will continue to apply to an insurance contract made before the coming into force of this Law; for the purposes of application, the renewal of a contract will be deemed to be the making thereof.

Menahem Begin

Moshe Nisim

Prime Minister

Minister of Justice

Yitzhak Navon

President of the State

* Passed by the Knesset on the 28th Shevat, 5741 (2nd February 1981) and published in Sefer Ha-Chukkim No.1005 of the 8th Adar Alef, 5741 (12th February, 1981), p. 94; the Bill and an Explanatory Note were published in Hatza'ot Chok. No.1205 of 5736, p. 22