

State of Israel
Ministry of Finance - Capital Market, Insurance and Savings Division

Note: This is a non-binding English courtesy translation of the "Procedure for applying for license - insurer, retirement savings management company and provident fund management company", which was published by the Capital Markets, Insurance and Savings Division on February 12, 2014. The Hebrew original shall prevail and supersede for all purposes and for all respects, in the event of any discrepancy or inconsistency between the Hebrew version and the English translation. All requirements listed below are subject to change without notice at the discretion and interpretation of the Capital Markets, Insurance and Savings Division.

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Procedure for applying for license - insurer, retirement savings management company and provident fund management company

A. Definitions

1. **"Institutional entity", "Insurer"** – as defined in the Insurance Act.
2. **"The Division"**- The Capital Market, Insurance and Savings Division of the Ministry of Finance.
3. **"The Supervisor"** – The Supervisor of Capital Market, Insurance and Savings - including in his role as Supervisor of Insurance.
4. **"Provident fund management company"**- Management company as defined in the Provident Fund Act.
1. **"Pension management company"**- An insurer who manages a pension provident fund other than an insurance fund, who was granted an insurer license as per section 15(a1) of the Insurance Act.
5. **"Supervisory laws"** – The Insurance Act and the Provident Fund Act.
6. **"The Insurance Act"** – The Financial Service Supervision Act (Insurance), 1981.
7. **"The Provident Fund Act"** – The Financial Service Supervision Act (Provident Funds), 2005.
8. **"Applicant"** – Anyone applying for an insurer license or for a management company license.
9. **"Licensing Department"**- The Institutional Entity Licensing Department of the Division.
10. **"Minimum required equity"**: For an insurer: The minimum equity required pursuant to the Financial Service Supervision Regulations (Insurance) (Minimum equity required of an insurer), 1988 or any superseding statute. For a pension management company or for a provident fund management company: The minimum equity required pursuant to

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the Financial Service Supervision Regulations (Provident Funds) (Minimum equity required of a management company of a provident fund or pension fund), 2012 or any superseding statute.

Any term in this document shall be interpreted based on its meaning in the supervisory laws. Without derogating from the foregoing, the above terms shall have the meanings listed next to them.

B. Overview

1. The licensing process allows the Supervisor of Capital Market, Insurance and Savings to verify the adequacy of institutional entities operating in Israel and of interested parties there in - and to prevent operations by un-worthy entities in this field. Section 17 of the Insurance Act and section 4(b) of the Provident Fund Act stipulate, *inter alia*, that in considering the award of a license, the Supervisor shall take into consideration the following matters:
 - 1.1. Applicant's business plans and the likelihood of their implementation.
 - 1.2. Adequacy of proposed officers for their roles.
 - 1.3. Applicant's financial resources.
2. In order to ensure proper review of license applications, the Applicant is required to present to the Supervisor data and documents used to review all aspects and considerations for awarding the license. The licensing process involves review of a large number of parameters, and may therefore be fairly complex. The objective of this procedure is to clarify, in as much as possible, the licensing process required for obtaining an insurer license or a management company license - with details of the documents and forms to be filed.
3. Legal framework:

3.1. Insurer

Section 14 of the Insurance Act stipulates, *inter alia*, that only licensed persons may engage in the insurance business.

Section 15 of the Insurance Act stipulates, *inter alia*, that the Supervisor may, at their discretion, award an Israeli insurer license to a company, as defined in the Corporate Act, 1999.

3.2. Pension management company

Section 14 of the Insurance Act stipulates, *inter alia*, that only licensed persons may engage in the insurance business.

Section 15(a) of the Insurance Act stipulates the conditions for the award of insurer license by the Supervisor to a company seeking to manage a pension provident fund other than an insurance fund, i.e. an insurer license in the pension insurance sector. This section stipulates, *inter alia*, that the pension management company license may only be awarded to a company incorporated in Israel. This

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means that a foreign company (as defined in the Corporate Act, 1999) may not be awarded a pension management company license.

3.3. Provident fund management company

Section 2 of the Provident Fund Act stipulates, *inter alia*, that only persons awarded a management company license may engage in management of a provident fund.

Section 4 of the Provident Fund Act stipulates, *inter alia*, the conditions subject to which the Supervisor may award a provident fund management license.

C. Applying for a license

1. General instructions

- 1.1. A license application shall be made in Hebrew. If any documents attached to the application are in another language - a true translation of such documents into Hebrew shall be attached to the application.
- 1.2. The original documents and a scanned copy should be sent to the Manager, Institutional Entity Licensing Department. The email address for sending the documents is: rishuy_mosdim@mof.gov.il.
- 1.3. The application shall include, in attachment, a statement by the Applicant, executed in the presence of an attorney, which verifies the content of the application and appendices there to, worded as per **Appendix I**.
- 1.4. Any person or corporation which controls an institutional entity or which holds 5% or more of any means of control over an institutional entity is required to obtain a control permit or a holding permit, as the case may be, in conformity with Section 32 of the Insurance Act. To apply for a control permit or a holding permit in an institutional entity, you should act as prescribed by the "Procedure for Applicant for control / holding permit in an institutional entity" - which is available on the Division's website.
- 1.5. The Supervisor may require the Applicant to provide additional documents.

Note that providing all of these documents is a pre-condition for review of the application.

2. Documents to be submitted to the Supervisor

- 2.1. Application for institutional entity license. The application should indicate the type of license applied for and the sectors for which an Insurer license is requested - or the types of provident funds for which a management company license is requested.
- 2.2. Applicant's application for name approval and articles of association. This application should include:
 - 2.2.1. Certificate of incorporation, signed by the Registrar of Companies.

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- 2.2.2. The Applicant's articles of association, bearing the current date of the most recent revision made to this document;
- 2.2.3. Attorney's opinion whereby the articles of association are in conformity with statutory provisions;

Should all documents be found to be valid and should there be no further need for any additional documents, the Applicant will be sent a generic approval of their articles of association and of the name of the company. Then, the Applicant should send to the Licensing Department:
- 2.2.4. Current articles of association, bearing their effective start date, and approval of their registration with the Registrar of Companies.
- 2.2.5. Attorney's confirmation that the articles of association sent are in conformity with the variant approved by the Supervisor.
- 2.3. Details of Applicant's organizational structure. These details should include at least the following: Chart of Applicant's internal organizational structure, the various departments with their roles and responsibilities, key officers of the Applicant with their roles and responsibilities, including details of those employed in actuarial positions, insurance risk management, business and underwriting departments. For each such officer, provide details of their pertinent experience.
- 2.4. Notice with regard to candidates for officer positions with the Applicant, in conformity with the Supervisor's circular on this matter. For Insurer - circular 2005-1-48 "Reporting of officers to the Supervisor of Insurance"; for pension management company - circular 2006-3-6 "Reporting of officers of a pension fund management company to the Supervisor of Capital Market"; for provident fund management company - circular 2006-2-4 "Reporting of officers of a provident management company to the Supervisor of Capital Market" – or any superseding amendment of statutory provision.
- 2.5. A business plan describing the Applicant's planned business operations for a period of at least 5 years. Please attach confirmation by a CPA of the feasibility of the business plan. The business plan should include at least the following:
 - 2.5.1. Detailed SWOT analysis (strengths, weaknesses, opportunities, threats) of the Applicant as a player in the sector in which they wish to do business.
 - 2.5.2. Unique attributes of products and services to be offered by the applicant, if any. Explanation of the innovation which the Applicant would bring to the market and its added value for policyholders or members of the Applicant - which is not currently provided by institutional entities.
 - 2.5.3. Applicant's marketing strategy, including definition of target audiences, overview of planned marketing channels, how each marketing channels would be handled and a list of distribution agreements signed or to be signed by the Applicant.
 - 2.5.4. Sensitivity analysis and pro-forma report indicating Applicant's estimated financial statements for the first five years in business. The analysis and report should include at least a forecast of assets, revenues, expenses and income.

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- 2.5.5. Applicant's forecast balance sheet and income statement for the first three years in business.
- 2.6. Action plan and preparations for implementation of a Risk Management Department at the institutional entity, including risk identification and assessment, setting policy, tools and benchmarks for risk measurement (including tools for risk mitigation) and monitoring. The action plan should at least make reference to market risk, counter-party risk (including re-insurance) and alignment of assets with liabilities. Any Applicant for an insurer license must refer, in their action plan, to organizational preparation for implementation of the Solvency II directive.
- 2.7. Details of IT systems. These details should include the Applicant's action plan and preparations in terms of technology to support the Applicant's operations and to comply with statutory provisions, including mapping of required core systems, existing IT gaps and detailed work plan for elimination of such gaps. The details of expected set-up costs should include, under a separate item, the budget or cost for IT set-up and preparation.
- 2.8. Detailed list of procedures to be applied by the Applicant, including: Business acceptance procedure, underwriting procedure, claim filing procedure and public enquiry handling procedure.
- 2.9. The Applicant's CEO should provide a signed statement whereby the level of service to be provided by the Applicant is in conformity with provisions of circular 2011-9-7 "Customer service by institutional entities" as well as with the service level specified in policy set by the Applicant's Board of Directors in conformity with this circular, and that there are no gaps between the service level provided to Applicant's customers and the service level specified in the aforementioned policy set by the Board of Directors.
- 2.10. The address of the Applicant's website, to include the information required by circular 2007-9-8 "Required information on the website of an institutional entity".
- 2.11. List of operating and outsourcing agreements signed or to be signed by the Applicant. Should the Applicant run operations, provide a detailed description of the operations department.
- 2.12. Notice in conformity with circular 2013-9-5 "Launch of insurance plan and bylaws of provident fund" for each insurance plan or provident fund which the Applicant proposes to offer to customers.
- 2.13. Details of expected set-up costs and details of financing of such costs, including details of IT costs as per section 2.7.
- 2.14. If the Applicant, or controlling shareholders thereof, intend to obtain financing, the following information and documents should be submitted:
- 2.14.1. Details of financing amount and maturity;
 - 2.14.2. Details of collateral provided to secure financing;
 - 2.14.3. Forecasts submitted to financing providers in order to obtain credit;
 - 2.14.4. If collateral includes any means of control, the collateral recipients would be required to apply for a holding permit in means of control as collateral

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to secure borrowing, in conformity with section 32(g) of the Insurance Act.

- 2.15. Opening balance sheet information, prepared and audited for the start of the month in which the license is awarded, showing the minimum required equity and confirmation by the Applicant's Independent Auditor of the existence of means to support estimated equity for the first three years in business.

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**Appendix I – Applicant certification with regard to application for license - insurer,
retirement savings management company and provident fund management company**

I, the undersigned, _____ ID/passport no. _____ issued by _____,
having being duly warned to make a truth declaration lest I be subject to all sanctions by law
should I fail to do so, hereby certify in writing as follows:

1. I certify as follows in conjunction with my application for a control permit of the
corporation _____ with ID _____.

I hereby certify that all forms, information and details provided in conjunction with the
application for a Procedure for applying for license - insurer, retirement savings management
company and provident fund management company are true and correct. I hereby undertake
to inform the Supervisor of Capital Market, Insurance and Savings of any change in any
information provided in this application.

This is my name, this my signature and my certification is Truth.

Date

Certification provided by

Signature

Confirmation

I, the undersigned, _____, Advocate hereby confirm that on (date)
_____, Mr./Ms. _____ did appear before me in person, identified by
_____ ID/passport no. _____ issued by _____ and after I have duly
warned them to make a true certification lest they be subject to all sanctions by law should
they fail to do so, they confirmed the veracity of the certification above and did sign it in my
presence.

Date

Attorney's name

Signature