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Note: *In any case of discrepancy between this translation and the original circular letter in Hebrew, the original will govern.*

STATE OF ISRAEL

Ministry of finance/ Capital Markets, Insurance & Savings Division

27 Adar 5775
March 18, 2015
Insurance Circular 2015-1-5
Type: Life

CHANGE OF INSURANCE AMOUNT IN LIFE INSURANCE POLICIES RELATED TO HOUSING LOANS -

By virtue of my authority under articles 2(B) of the Supervision of Financial Services Law (Insurance), 5741-1981 (hereinafter: "**the Law**"), and after consultation with the Advisory Committee, I instruct as follows:

1. GENERAL

A Borrower who takes a housing loan (hereinafter: "**mortgage**") is usually required by the lending Bank to purchase as warrantee for the loan repayment a Life insurance while determining the lending Bank as an irrevocable beneficiary in the policy.

We have been notified that in the event an Insured seeks to refinance his mortgage (hereinafter: "**the mortgage recycling transaction**"), there are Insurance Companies that cancel the Life insurance policy purchased during the mortgage transaction. This cancellation obliges the Insured to purchase a new Life insurance policy for the purpose of the mortgage-recycling transaction, with all that this implies.

The change in the payment flow during a mortgage recycling transaction is not in itself, sufficient to constitute grounds for canceling the existing insurance cover, as long as the insurance amount and the insurance period do not deviate from the insurance amount and the insurance period in the existing policy. The purpose of this Circular is to determine the manner in which Insurance Company shall act in such a case, similar to way it should behave to an Insured's request to reduce the amount of insurance in a death risk policy that is not related to a mortgage transaction.

2. MAINTAINING THE CONTINUITY OF THE INSURANCE COVER

A mortgage-recycling transaction by the Insured shall not constitute grounds for canceling the continuity of the insurance cover in a life insurance policy purchased during the mortgage transaction. The Insurance Company, in which the policy is managed in connection with the mortgage transaction, shall enable the Insured to continue the insurance cover with it, in the policy in his possession or in a new policy, on the same terms and without any need for renewed medical underwriting. This is in respect of the amount of insurance and insurance period that do not exceed the amount of insurance and the insurance period set forth in the individual insurance sheet, as they were in effect prior the mortgage recycling transaction was performed.

The aforesaid shall apply equally also to an Insured's request to reduce the amount of insurance in an existing death risk policy.

3. APPLICABILITY

The provisions of this Circular shall apply to Insurance Companies in respect of such Life insurance cover, purchased in the framework of an Individual policy or purchased through the lending bank in the framework of a Group policy.

4. COMMENCEMENT

The provisions of this Circular shall come into effect on the date of its publication.

Dorit Selinger
Commissioner of Insurance