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

17 Ellul 5773
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To
Managers of Insurance Companies

COMMISSIONER POSITION - CLARIFICATION: COMPENSATION FOR COVER OF PRIVATE SURGERY IN ISRAEL

For many of the Insured in private Health insurance, which includes cover for surgeries, there is also similar cover by virtue of the plan for additional health services offered by the Sick Funds (hereinafter: "Shaban"). Therefore, an Insured who wishes to undergo surgery usually has three alternatives: cover of surgery cost by Private insurance, cover of surgery cost by the Shaban and performing the surgery through the public system. In this situation, sometimes a financing party may be in the interest of the insured performing the surgery through another party.

Today, there are insurance policies that cover private surgeries in Israel, which include a clause stating that if the cost of the surgery, in whole or in part, has been financed by the Shaban or if the operation was performed in the public system, the Insured will receive monetary compensation from the Insurance Company. Although such a clause may reduce the cost of insurance and enable the Insured flexibility in choosing the performing party, it may also motivate an Insured to choose to perform surgery that is not due to health considerations, since sometimes financial consideration may override health consideration.

In light of the above, it is hereby clarified that as of the date of publication of this Position, an insurance plan covering private surgeries in Israel will not be approved, which will enable the Insured to choose between reimbursement of surgery costs by the Insurer and monetary compensation for surgery performed in the Shaban or by the public system. No such policies may be marketed or renewed.

Therefore, as from 1 January 2014, such policies cannot be marketed or renewed.

Respectfully,
Prof. Oded Sarig,
Commissioner of the Capital Market, Insurance and Savings