

RECALL, REPLACEMENT & BUSINESS INTERRUPTION INSURANCE 6/2016

This Policy is effective when the accompanying Policy Schedule is signed by an authorised representative of AIG Israel Insurance Company Ltd.

In consideration of the insured's obligation to pay the premium and in reliance on the warranties and representations made by the Insured in the application for this insurance, its attachments, all underwriting information submitted and the material incorporated therein forming a part hereof, AIG Israel Insurance Company Ltd., hereafter called the Insurer, agrees as follows:-

1. INSURED EVENTS

The Insurer will reimburse the Insured, as defined in the Policy Schedule, for its Loss in excess of the deductible, **but not exceeding the limits of liability, caused by or resulting from any of the following Insured Events first discovered during the Policy Period, as defined in the Policy Schedule, and reported to the Insurer in writing during the Policy Period or up to sixty (60) days after expiry of the Policy.**

1.1 ACCIDENTAL CONTAMINATION

Any accidental or unintentional contamination, impairment or mislabeling of an Insured Product(s), or any adverse publicity implying such, which occurs during or as a result of its production, preparation, manufacture, processing, blending, mixing, compounding, packaging or distribution provided that the use or consumption of such Insured Product(s):

- a) has resulted in or would result in clear, identifiable, internal or external visible physical symptoms of bodily injury, sickness, disease or death of any person(s), **within three hundred sixty (360) days following such consumption or use;** or
- b) has caused or would cause physical damage to or destruction of tangible property.

1.2. ADVERSE PUBLICITY

Any reporting of an actual or alleged Accidental Contamination specifically naming the Insured Product, during the Policy Period, in:

- a) local, regional, or national media (including but not limited to radio, television, newspaper, magazines or the Internet); or
- b) any governmental publication .

1.3 GOVERNMENTAL RECALL

Any accidental or unintentional contamination, impairment or mislabeling of an Insured Product(s), or any Adverse Publicity implying such, which occurs during or as a result of its production, preparation, manufacture, processing, blending, mixing, compounding, packaging or distribution **provided that the use or consumption of such Insured Product(s):**

- i) **has resulted in or would result in clear, identifiable, internal or external visible physical symptoms of bodily injury, sickness, disease or death of any person(s), within three hundred sixty (360) days following such consumption or use; or**

ii) **has caused or would cause physical damage to or destruction of tangible property and as a result:**

a) **an official recall order has been issued by the competent authorities; or**

b) **a recall order by the competent authorities is imminent**

in order to comply with regulations on food safety.

1.4 MALICIOUS PRODUCT TAMPERING

Any actual, alleged or threatened, intentional, malicious, and wrongful alteration or contamination of the Insured Product(s) by any person, whether or not by an employee of the Insured, so as to render it unfit or dangerous for its intended use or consumption or to create such impression to the public.

1.5 PRODUCT EXTORTION

Any threat or connected series of threats to commit Malicious Product Tampering that is communicated to the Insured for the purpose of demanding cash, monetary instruments, property or services.

2. LOSS

Loss under this Policy includes only the following reasonable and necessary expenses or costs listed below that are incurred by the Insured directly and solely as the result of an Insured Event and subject to the Limits of Liability as set forth in the Policy Schedule. Loss is limited to expenses or costs incurred within twelve (12) months after the Insured Event first became known to the Insured. In no event will any amounts claimed and paid under one Insured Event be recoverable under another Insured Event.

2.1 CRISIS CONSULTANT COSTS

Fees and costs of independent food-safety, security, public relations or any similar consultant hired with the Insurer's prior written consent to directly assist the Insured in responding to an Insured Event. No prior written consent will be required for the use the consultants named in Appendix I.

Crisis Consultant Costs include the costs of chemical analysis or other such efforts to identify the cause(s) or potential effect of contamination.

2.2 RECALL COSTS

Costs incurred by the Insured, or by the Insured's distributor, to inspect and withdraw such affected Insured Product(s) directly and solely as the result of an Insured Event. Recall Costs also include but are not limited to:

- (i) The cost of newspaper, magazine or any printed advertising (electronic or otherwise), radio and television announcements or commercials, as well as the cost of correspondence, necessary to effect the recall of the Insured product(s).
- (ii) Essential transportation and accommodation costs directly attributable to the recall of the Insured product(s).
- (iii) The cost of hiring additional person(s), other than regular employees of the Insured, devoted exclusively to effect the recall of the Insured Product(s) and/or overtime paid to regular employees of the Insured for work devoted exclusively to the recall of the Insured Product(s).
- (iv) Expense of renting or hiring additional warehouse or storage space for the recall of the Insured product(s) for a maximum period of twelve (12) months.

- (v) Retail slotting fees and cancellation fees for any advertising and/or promotion programs, which were scheduled but were unable to be executed solely because of an Insured Event.

For the avoidance of doubt, where the Product Recall is initiated by a third party or by a government agency, Insured's Product Recall costs shall be deemed to include reasonable and necessary costs incurred by such third party or government agency provided that

- a) **these costs would have been incurred by the Insured if the Product Recall had been initiated by the Insured AND**
- b) **the Insured becomes obliged to reimburse such third party or government agency for such costs AND**
- c) **this is subject to all other terms, Conditions and Exclusions of this Policy.**

2.3 DESTRUCTION COSTS

Expense incurred by the Insured, or by the Insured's distributor on behalf of the Insured, to properly dispose of the unused packaging and point of purchase marketing material of recalled Insured Product(s) if they cannot be used or reused as a result of an Insured Event.

2.4 REPLACEMENT COST

Costs incurred directly by the Insured to restore any recalled Insured Product(s) to merchantable quality or to replace any recalled Insured Product(s), which have been destroyed as a result of an Insured Event or are unfit for sale or for their original use as a result of an Insured Event, with product(s) of similar value.

2.5 REDISTRIBUTION COSTS

The actual costs incurred directly by the Insured for the redistribution of any restored Insured Product(s) or replaced Insured Product(s) as a result of an Insured Event.

2.6 REHABILITATION EXPENSE

Expenses actually incurred directly by the Insured as a direct result of an Insured Event to re-establish the Insured's Product(s) to the reasonably projected level of sales or market share anticipated prior to the Insured Event.

2.7 BUSINESS INTERRUPTION EXPENSE

The "Loss of Gross Profit" and "Extra Expense" incurred as a result of an Insured Event.

A) "Loss of Gross Profit" is calculated by multiplying the "Rate of Gross Profit" times the difference between:

1. The decrease in "Revenue" caused solely and directly by an Insured Event during the twelve (12) months beginning after at the date of discovery of the Insured Event as compared to the "Standard Revenue," and
2. Any sum saved during the twelve (12) months beginning after the date of discovery of the Insured Event in respect of the charges and expenses payable out of "Gross Profit" as may cease or be reduced in consequence of the Insured Event

If during such twelve (12) month period after at the date of discovery of the Insured Event the "Loss of Gross Profit" of the Insured Product(s) is offset by increased sales of another Insured Product(s) within the same product line as the affected product(s) claimed in the Loss as a result of an Insured Event such offset will reduce the actual Loss sustained.

"Rate of Gross Profit" means the rate of "Gross Profit" earned on the "Revenue" during the twelve (12) months immediately before the date of the Insured Event.

“Revenue” means the money paid or payable to the Insured for Insured Product(s).

“Standard Revenue” means the “Revenue” during the period in the twelve (12) months immediately before the date of the Insured Event.

Adjustments to the “Rate of Gross Profit” and “Standard Revenue” shall be made as may be necessary to provide for the trend of the Insured and for variations in or special circumstances affecting the Insured either before or after the Insured Event or which would affected the Insured had the Insured Event not occurred, so that the figure thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Insured Event would have been obtained during the relative period after the Insured Event.

“Gross Profit” is calculated by determining the amount by which:

The sum of the “Revenue” and the amounts of the Closing Stock and Work in Progress
exceeds

The sum of the amounts of the Opening Stock and Work in Progress, plus the variable costs that would have been incurred, but which have been saved as a result of not making these sales (including the cost of raw materials, and all other saved costs).

The amounts of the Opening and Closing Stocks and Work in Progress shall be arrived at in accordance with the Insured's normal accountancy methods, due provision being made for depreciation.

B) “Extra Expense” is any necessarily and reasonably incurred excess expense above the total cost of conducting business activities during the period of time necessary to clean or repair the location (owned or operated by the Insured) where the Insured Event occurred for the sole purpose of reducing the Loss. **This Policy only covers those “Extra Expenses” which are over and above the cost of such activities during the same period of time had no Insured Event occurred.**

“Extra Expense” may include, but is not limited to, the following necessarily and reasonably incurred expenses:

1. The cost necessary to clean the machinery or location involved in the manufacture or handling of the contaminated product in order to restore an environment in which products can be manufactured or handled safely.
2. The increased cost incurred with the consent of the Insurer, which shall not be unreasonably withheld, of subcontracting some or all of the manufacturing process to a contract manufacturer for a period of time necessary to restore the Insured's facilities to a state in which products can be manufactured or handled safely.

2.8 PRODUCT EXTORTION COSTS

The following costs paid in direct response to a Product Extortion demand made upon the Insured under threat to commit a Malicious Product Tampering:

- (i) Cash, tangible property or services paid or provided by the Insured as a direct result of a Product Extortion demand made and reported during the Policy Period.
- (ii) Money paid by the Insured to any person, other than an Insured person(s), providing information not otherwise obtainable.
- (iii) Interest costs for a loan from a financial institution made to the Insured for the purpose of paying a Product Extortion demand.

- (iv) Costs of travel and accommodations incurred by or on behalf of the Insured while attempting to negotiate the resolution of a Product Extortion demand.
- (v) Increased costs of security due to a Product Extortion demand including but not limited to hiring of security guards, hiring of armoured vehicles, and overtime pay to existing security **staff for a period of up to 90 days, provided however that the security consultants approved in writing by the Insurer have specifically recommended such security measures.**

3. INSURED PRODUCT(S)

- (i) All topical and ingestible products for human use or consumption, including any of their ingredients, packaging or components, that have been reported to the Insurer by way of the proposal form on file with the Insurer for the effective dates of this Policy or by addendum to such application and that are:
 - a. in production; or
 - b. have been manufactured, handled or distributed by the Insured; or
 - c. manufactured by any contract manufacturer for the Insured; or
 - d. are being prepared for or are available for sale.
- (ii) Any new product(s) outside the existing product line(s) **provided that:**
 - a. **written notice is given to the Insurer no less than ninety (90) days prior to its introduction for sale; and**
 - b. **the Insured did not know nor could reasonably have been expected to know as of the date of the written notice to the Insurer that an Insured Event affecting the new product(s) had occurred; and**
 - c. **The Insurer has given written acceptance of such new product(s). Such acceptance will not be unreasonably withheld and will be given or refused within thirty (30) days of receipt of written notice. At the option of the Insurer, such acceptance by the Insurer may be accompanied by changes in one or more of the terms, conditions or premium of the Policy.**

4. EXCLUSIONS

- A. The Policy does not apply to any Loss arising out of, based upon, attributable to or involving, directly or indirectly any:
 - 4.1 product of a competitor similar to an Insured Product(s);
 - 4.2 change in customer tastes, competitive environment, economic conditions, population, or seasonal sales variations;
 - 4.3 deterioration, decomposition or transformation of an Insured Product(s) unless it is a direct result of an Insured Event;
 - 4.4 illegal act(s) except for:
 - a) **Accidental Contamination, Governmental Recall, Malicious Product Tampering or Product Extortion committed by employees of the Insured other than the Insured's directors, officers or trustees; or**
 - b) **Accidental Contamination, Governmental Recall, Malicious Product Tampering or Product Extortion committed by any non-Insured;**
 - 4.5 **intentional violation by the Insured, or the Insured's distributor, of any governmental regulation or industry best practice in connection with the testing, manufacture, sale, storage or distribution of any**

Insured Product(s) or from the use of materials or substances in the manufacturing process of any Insured Product(s) which have been declared unsafe or banned by the competent authorities;

- 4.6 consequence, whether direct or indirect, of war, invasion, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power;**
 - 4.7 person or group, whether or not acting on behalf of or in any connection with any organisation, government, power, authority or military force, when the effect is to intimidate, coerce, or harm a government, civilian population or any segment thereof, or to disrupt any segment of the economy. This exclusion shall not apply when the Insured or an Insured Product is the direct target of the person or group described;**
 - 4.8 costs associated with the expense to design or redesign of any Insured Product;**
 - 4.9 nuclear reaction or nuclear radiation or radioactive contamination (except if any of the previous are tamperings specifically aimed at the Insured Product(s)), all whether controlled or uncontrolled, or resulting from any act or condition incident to any of the foregoing, whether such Loss be proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by an Insured Event or otherwise;**
 - 4.10 contamination of soil, groundwater, flora and/or fauna;**
 - 4.11 recall of an Insured Product that is initiated due to the failure of an Insured Product to accomplish its intended purpose, including any breach of warranty of fitness, whether written or implied;**
 - 4.12 recall of an Insured Product that is initiated due to the expiration of the designated life of the Insured Product;**
 - 4.13 circumstance or matter which an Insured, employee, officer or director of the Insured had actual or constructive knowledge of prior to the Policy inception date or which the Insured could have reasonably expected to produce a Loss under this Policy;**
 - 4.14 circumstance or matter that:**
 - a) occurs after the Insured, employee, officer or director of the Insured has knowledge of a defect or deviation in the production, preparation or manufacturing of Insured Product(s); or**
 - b) has or is reasonably likely to result in such deviation or defect in the production, preparation or manufacturing of Insured Product(s), and the Insured fails to take reasonable corrective action;**
 - 4.15**
 - a) civil or criminal fines or penalties imposed by law; or any punitive, aggravated, contractual penalties or exemplary damages; or**
 - b) matters that may be deemed uninsurable under the law pursuant to which this Policy is construed;**
 - 4.16 Losses arising out of or in connection with use or consumption of the Insured Products brought by any non-insured, except as provided for in Section 2.2- Recall Costs, including any defense costs related to any such Loss.**
- B. The Policy does not apply to any Accidental Contamination or Governmental Recall arising out of, based upon, attributable to or involving, directly or indirectly any:**
- 4.17**
 - a) genetic modification of any Insured Product(s);**
 - b) hormone treatment of any Insured Product(s) not specifically permitted by the competent authorities;**
 - c) any unauthorised irradiation of any Insured Product(s);**

- d) Transmissible Spongiform Encephalopathy (TSE);
- e) Carcinogens.

5. GENERAL CONDITIONS

- 5.1. **ACTION AGAINST THE INSURER: No suit, action, or proceedings for recovery of any Loss under this Policy will be sustainable in any court of law, equity, or other tribunal unless all the requirements of this Policy are complied with and is commenced within twenty four (24) months after a final statement of Loss has been submitted to the Insurer by the Insured.**
- 5.2. **ADDITIONAL EXPOSURES:** The Insured will give the Insurer written notice within ninety (90) days of any additional exposure arising from:
- a) consolidation or merger with;
 - b) acquisition of the majority stock ownership of;
 - c) acquisition of the assets of any other entity whose revenues are in excess of 10% of the gross revenue of the Insured as of the date of consolidation, merger or acquisition.
- The Insurer may elect to accept or reject such additional exposure. **If the additional exposure is rejected, it will remain covered only until the Insured is notified in writing of the rejection.** If the Insurer accepts the additional exposure, the Insured will pay the Insurer additional premium as may be required, computed from the date of consolidation, merger or acquisition to the end of the current period unless otherwise specifically requested.
- No Loss arising out of the additional exposure will be covered unless the Insured, at the time it gave notice thereof to the Insurer, did not know nor could reasonably have been expected to know of the Insured Event giving rise to the Loss.**
- 5.3. **APPRAISAL:** If the Insured and the Insurer fail to agree on the amount of Loss, then, on the written demand of either, made within sixty (60) days after rejection of the final statement of loss by the Insurer, the Insurer shall select a competent and disinterested appraiser and notify the other of the appraiser selected within twenty (20) days of such demand. The appraisers shall first select a competent and disinterested umpire and failing for fifteen (15) days to agree on such umpire, then upon the request of the Insured or the Insurer such umpire will be selected by the current President of the Israeli Loss Adjusters Association. The Insured and the Insurer will submit their cases to the appraisers and the umpire within thirty (30) days of the appointment of the umpire. An award in writing, so itemized, of any two will determine the amount of Loss. The Insured and the Insurer will each pay its chosen appraiser and will bear equally the other expenses of the appraisal and umpire. The Insurer will not be held to have waived any of its rights by any act relating to an appraisal.
- 5.4. **ASSISTANCE AND CO-OPERATION:** The Insured will cooperate with the Insurer in all matters relating to this Policy. This may include, but is not limited to, attending hearings and trials, securing and giving evidence, obtaining the attendance of witnesses, assisting in effecting settlements, and in conducting litigation, arbitration, or other proceedings.
- 5.5. **ASSIGNMENT:** This Policy and any rights hereunder cannot be assigned without written consent of the Insurer.
- 5.6. **NOTICE AND AUTHORITY:** It is agreed that the first Insured listed on the Schedule acts on behalf of all Insured's with respect to the exercise of all their rights and the discharge of all their duties in respect of this Policy, including but not limited to:
- a) negotiating the terms and conditions of cover;
 - b) binding cover;
 - c) the notification of a claim or Loss;
 - d) the giving and receiving of any notice of cancellation;
 - e) the payment of premium and the receipt of any refund of premium that may become due;

- f) the payment of the deductible;
- g) the negotiation and receipt of any endorsement;
- h) the appointment of lawyers to defend a claim or Loss;
- i) the receipt of amounts payable by the Insurer under this Policy.

5.7. **CALCULATION OF THE AMOUNT PAYABLE UNDER A SUB-LIMIT:** Any amount payable for Loss under the Sub-limit under this Policy listed in the Schedule will be calculated as follows:

First the apportioned deductible as calculated under General Conditions 5.14 will be subtracted from the Loss. Second, the applicable coinsurance will be applied to the balance. **The amount payable thereafter will be the lesser of either the Sub-limit or the product of the coinsurance and the balance. No amount of Loss will be paid in excess of the Sub-limit.** This does not increase the Limit of Liability as stated in the Schedule nor impose any additional Deductible on the Insured.

5.8. **CANCELLATION:** This Policy may be cancelled by the Insured by giving ten (10) days advance written notice to the Insurer, stating when thereafter such cancellation will be effective. This Policy may be cancelled by the Insurer for any reason, by delivering to the Insured or by mailing to the Insured by registered mail, at the Insured's address stated in the Schedule, written notice stating when, not less than one hundred and twenty (120) days thereafter, the cancellation will be effective, except in the case of cancellation for non-payment of premium by the Insured, where in case the outstanding premium remains unpaid within fifteen (15) days after a written notice shall be mailed or delivered by the Insurer to the Insured, the Insurer may cancel the policy by giving written notice stating the effective date of cancellation, which shall be not less than twenty-one (21) days after such notice was received by the Insured. The mailing of such notice by registered mail will be sufficient proof of notice and this Policy will terminate at the date and hour specified in such notice.

If this Policy is cancelled by the Insured, the Insurer will retain the pro-rata portion of the premium hereon.

If this Policy is cancelled by the Insurer, the Insurer will retain the pro-rata portion of the premium hereon. Payment or tender of any unearned premium by the Insurer will not be a condition precedent to the effectiveness of cancellation, but such payment will be made as soon as practicable.

5.9. **CHANGES:** This Policy contains all the agreements between the Insured and the Insurer concerning this insurance. Notice to any of the Insurer's representatives or knowledge possessed by any the Insurer's representative(s) or by any other person will not effect a waiver or a change in any part of the Policy or prevent the Insurer from asserting any right under the terms of this Policy, nor can the terms of this Policy be waived or changed unless agreed to in writing by the Insurer or the Insurer's authorized representative.

5.10. **CHOICE OF LAW AND FORUM:** The construction, validity and performance of this Policy will be governed by the laws of Israel. The Insurer and the Insured hereby expressly agree that all claims, Losses and disputes will be litigated in the courts of Israel.

5.11. **COINSURANCE:** The Insured will bear the coinsurance amount stated in the Schedule for each Loss in excess of and in addition to the deductible applicable to each Insured Event. The coinsurance amount will be calculated by multiplying the covered Loss in excess of the deductible by the coinsurance amount. **The Insurer will pay covered Loss in excess of the deductible subject to the Limit of Liability stated in the Schedule after deduction of the coinsurance amount from the Loss.**

5.12. **FRAUD: Without prejudice to the Insurer's other rights, however arising, this Policy is null and void in case of fraud by any Insured concerning:**

- a) **this insurance or the procurement thereof; or**
- b) **the Insured Product(s), or the Insured's interest in the Insured Product(s); or**
- c) **any Insured Event, or any Loss or claim under this Policy.**

5.13. CONFIDENTIALITY: The Insured will use all reasonable efforts not to disclose the existence of this Policy unless required by law to do so.

5.14. DEDUCTIBLE(S): The deductible(s) stated in the Schedule will apply separately to each and every Loss. **The deductible(s) is to be borne by the Insured and remain uninsured.** A portion of the deductible will apply to the section of Loss limited by a Sub-limit calculated as follows:

The portion of the deductible applicable to the sub-limited section will be calculated by dividing the Loss attributable to a sub-limited section by the total amount of the Loss, under the Policy, multiplied by the deductible.

5.15. DUE DILIGENCE: The Insured will exercise due diligence to do all things reasonable and practical to avoid any happening or circumstances covered by this Policy **and to make all reasonable efforts to mitigate any Loss arising as a result of an Insured Event.**

5.16. EXAMINATION UNDER OATH: The Insured, as often as may be reasonably be required, shall exhibit to any person designated by the Insurer all affected Insured Product(s) whether salvageable or otherwise, and shall submit to examinations under oath by any person named by the Insurer, and subscribe the same or shall submit to any equivalent procedure under Israeli law and, as often as may reasonably be required, shall produce for examination all books of account, vouchers, bills, invoices, schedules, accounting information, and any documentation relating to the calculation of Loss, or certified copies thereof if originals be lost, at such reasonable time and place as may be designated by the Insurer or its representative, and shall permit extracts and copies thereof to be made.

5.17. EXCESS INSURANCE: The Insured may purchase other insurance over the Limit of Liability set forth in this Policy without prejudice to this Policy, provided that the Insurer is notified in writing of the details of such other excess insurance at the time such other insurance is acquired. The existence of such other insurance, if any, will not reduce the Insurer's liability under this Policy.

5.18. INSPECTION AND AUDIT: The Insurer may examine and audit the Insured's business documents relating to the subject matter of this insurance until three (3) years after this Policy has expired or has been cancelled. Any premium due for exposures which exist but were not reported will be determined through audit by the Insurer .

5.19. **LIMITS OF LIABILITY: The Insurer's liability hereunder will be limited to the amounts stated in the Schedule. The Limit of Liability is the total aggregate limit of the Insurer's liability for all Losses of all Insureds under this Policy combined discovered and reported during the Policy Period in accordance with the terms herein. Additionally, Losses reported, up to thirty (30) days after expiry of the Policy will also be considered reported during the Policy Period and will also be subject to the aggregate Limit of Liability. All expenses and costs, except for Consultant and Advisor Costs, are not payable by the Insurer in addition to the total aggregate Limit of Liability. All expenses and costs, except for Consultant and Advisor Costs, are part of Loss and subject to the total aggregate Limit of Liability for Loss.**

5.20. NON-ACCUMULATION OF LIABILITY: Regardless of the number of years this Policy may continue in force, and of the number of premiums which may be payable or paid, or of any other circumstances whatsoever, the aggregate liability of the Insurer under this Policy with respect to any Insured Event(s) will not be cumulative from year to year or period to period. **When there is more than one Insured, the aggregate Limit of Liability of the Insurer for Loss(es) sustained by any or all of them will not exceed the amount for which the Insurer would be liable if all Loss(es) were sustained by any one of them.**

5.21. NOTICE OF LOSS: In the event of an incident that may be covered under the terms of this Policy, the Insured will as a condition precedent to the obligations of the Insurer under this Policy:

- a) Send to the Insurer a written notice of a claim or Loss as soon as practicable within the policy period after the alleged Insured Event has occurred, or up to thirty (30) days after the expiry, providing at their own expense all the detailed particulars and evidence regarding the cause of the Insured Event and the amount claimed under the Policy. In addition, the Insured must provide the Insurer with periodic and timely updates concurrent with activity occurring during the incident.

All notifications must be in writing and properly addressed to the Insurer at the following address:

ALGIsrClaims@aig.com

Attention: Claims Manager

- b) If it appears to be in the best interest of the Insured or to be required by law, notify law enforcement authorities or any other governmental agencies having jurisdiction over the matter.
- 5.22. NOTICES: Except as indicated to the contrary herein, all notices, applications, demands or requests provided for in this Policy will be in writing and will be given to or made upon either party at its address shown in the declarations.
- 5.23. OTHER INSURANCE: The Insured may purchase other insurance written on the same terms and conditions as this Policy provided the Deductible and Coinsurance as described in Sections 5.11 and 5.14 herein remains uninsured. **The insurance provided under this Policy will be primary in all instances except where a policy issued by a NON-AIG insurer exists covering similar exposures. The insurance will co-insure all Losses where coverage is also provided by such other insurer.**
- 5.24. REPRESENTATION: In granting cover to the Insured, the Insurer has relied upon the material statements and particulars in the proposal together with its attachments and other information supplied. These statements, attachments and information are the basis of cover and are considered incorporated into and constituting part of this Policy.
- 5.25. SALVAGE: Any salvage or other recovery, after expenses incurred in salvage or recovery is deducted, will accrue entirely to the benefit of the Insurer until the sum paid by the Insurer has been recovered. In case of damage to property bearing a brand or trademark, or which in any way carries or implies the guarantee or the responsibility of the Insured, the salvage value of such damaged property will be determined after removal in the customary manner of all such brands or trademarks or other identifying characteristics, the costs of which will be borne by the Insured.

The goodwill and public image of the Insured will be considered in determining whether any Insured Product(s) should be involved in salvage recovery. The Insurer's right to salvage will not be unreasonably restricted by the Insured. The Insured will have full right to the possession of all goods involved in any Loss under this Policy and will retain control of all damaged goods. There can be no abandonment of any property to the Insurer.

- 5.26. SEVERABILITY, CONSTRUCTION AND CONFORMANCE TO STATUTE:
- a) If any provision contained in this Policy is, for any reason, held to be invalid, illegal or unenforceable in any respect, it is deemed to be severed and to have no effect on any other valid legal and enforceable provision of this Policy.
 - b) If any provision contained in this Policy can be construed as being invalid, illegal or unenforceable for any reason, it will be construed by limiting it so as to be valid, legal, and enforceable to the extent compatible with applicable law.
 - c) Any provisions of this Policy which are in conflict with the statutes or regulations of the state or country wherein this Policy is issued are hereby amended to conform to such statutes or regulations.
- 5.27. STATEMENT OF LOSS:
- a) INITIAL STATEMENT OF LOSS: The Insured will submit to the Insurer within 10 days an initial written statement of loss, stating the full particulars of the Loss and its initial calculations and/or projections of the elements and composition of the Loss.
 - b) FINAL STATEMENT OF LOSS: Whether or not any partial payments have been made, a final statement of loss with respect to all items of Loss other than Loss of Gross Profit must be submitted to the Insurer in writing no earlier than twelve (12) months and no later than twenty four (24) months after an Insured Event first becomes known to the Insured. A final statement of loss with respect to Loss of Gross Profit must be

submitted in writing no later than (24) months after the beginning of a reduction in sales of the Insured Product(s) caused by an Insured Event.

- 5.28. **TERRITORY:** This Policy applies to an Insured Event anywhere in the world **unless specifically limited by the Insurer through endorsement or where the Insured or any beneficiary under the Policy is a citizen or instrumentality of the government or, any country(ies) against which any laws and/or regulations governing this Policy and/or the Insurer, its parent insurer or its ultimate controlling entity have established any embargo or other form of economic sanction which have the effect of prohibiting the Insurer to provide insurance coverage, transacting business with or otherwise offering economic benefits to the Insured or any other beneficiary under this Policy. No benefits or payments will be made to any beneficiary (ies) who is/are declared unable to receive economic benefits under the laws and/or regulations governing this Policy and/or the Insurer, its parent or its ultimate controlling entity.**
- 5.29. **VALUATION CLAUSE:** In determining the amount of Gross Profit, Extra Expense and other covered Loss, due consideration will be given to the experience of the business before the Insured Event and the probable experience thereafter, had the Insured Event not occurred. The probable level of sales and experience of the business had the Loss not occurred must be demonstrated with reasonable certainty by the Insured.
- 5.30. **SUBROGATION:** In the event of any payment under the Policy, the Insurer will be subrogated to the extent of such payment to all the Insured's rights of recovery. In such case the Insured will execute all documents required and will do everything necessary to secure and preserve such rights including the executions of such documents necessary to enable the Insurer effectively to bring suit.
- 5.31. **TITLES OF PARAGRAPHS:** Titles of paragraphs are inserted solely for the convenience of reference and will not limit, expand, or otherwise affect the provisions to which they relate. Words and expressions in the singular include the plural and vice versa. Words in italics have special meaning and are defined. Words that are specifically defined in this Policy have the meaning normally attributed to them.

Additional Clarifications 6/2016

As required by Israeli regulation, AIG Israel Insurance Company Ltd. ("*The insurer*") made certain clarifications to the policy, as detailed in this endorsement.

We would like to refer your kind attention, that this endorsement will be considered as part of the policy. In case of contradiction between a condition of the policy and the relevant condition herein, the one in this endorsement will prevail.

1. **Policy period** means the period of time from the inception date of the policy to the expiry date specified in Schedule, **unless the policy is cancelled** (in which event the *Policy Period* will end on the effective date of the cancellation).
2. The *insured* shall provide a full and honest answer to any question asked by the *insurer* concerning a material matter. **In case of breach of the disclosure duties by the *insured*, as specified above, the *insurer* shall be entitled to the reliefs and remedies set forth in sections 7-8 of the Insurance Contract law 5741-1981 ("*the Insurance Contract law*").**

3. How to Give Notice and Report a Claim

- i) Notice of a claim and of any other required notice shall be given in writing to Commercial Lines Claims, AIG Israel Insurance Company Ltd., 25 Hasivim St. Kiryat Matalon P.O.B 535, Petach Tikva 4910001 Israel.
- ii) The *insured* shall give written notice to the *insurer* of any claim made against an *insured* as soon as practicable.

In case of breach of the above duty of the *insured* to timely notify the *insurer* of any claim in accordance with Section 22 of the Insurance Contract law, the remedies available to the *insurer* shall in accordance with the provisions of Sections 24-25 of the Insurance Contract law.

4. In order to prove the right for insurance benefits, the *insured* will provide the *insurer* the original relevant documents, unless the *insured* cannot provide the original, cause the *insured* is ought to provide those documents to another recipient or from any other reason.

In case that the insurance benefits are paid as an expenses refund of the *insurer*, if the *insured* does not have the original documents, the *insured* might provide the *insurer* a copy of the documents, with an explanation on the recipient of the original documents and the reason that the *insured* cannot provide the original documents to the *insurer*.

5. In the event of a covered Claim under the policy, the *insurer* shall be entitled, in accordance with its discretion, to take over and manage on behalf of the *insured* the defence against the Claim.

The *insured* shall (1) provide all reasonable assistance and cooperation with the *insurer* in the defence of any Claim and in the execution of any indemnification and contribution rights; (2) use due diligence and assist in all matters and required actions to prevent or mitigate any Loss under this policy; (3) give such information and assistance to the *insurer* as the *insurer* may reasonably require to enable it to investigate any Loss or determine the *insurer's* liability under this policy.

The *insurer* may, at any time, make settlement or pay insurance benefits to Third Party, provided that the *insured* has been notified in writing 30 days in advance and does not object during this period.

In case the *insured* refuses to a reasonable settlement proposed by the *insurer* to settle the Claim, the *insurer* shall be entitled to notify the *insured* that its liability shall be limited to the settlement amount in which the Claim could have been settled, plus Defence Costs incurred up to the date in which such settlement could have been concluded, less the applicable Retention.

6. **An *insured* may not admit or assume any liability, enter into any settlement agreement, consent to any judgment, or incur any Defence Costs without the prior written consent of the *insurer*.** Only those settlements, judgments and Defence Costs consented to by the *insurer*, and judgments resulting from Claims defended in accordance with this policy, shall be recoverable as Loss under this policy. The *insurer's* consent

shall not be unreasonably withheld. It is agreed that the *insurer* will act to exercise its rights with consideration to the *insured's* business operations and in a manner which will not prejudice the *insured's* right to be indemnified by a Third Party in respect of amounts which were not paid by the *insurer*.

7. Premium Payments and Other Fees (Relevant Only to US Dollar Insurance Policies)

- i. Unless otherwise agreed between the parties, the insurance Premium and other fees due from the *insured* to the *insurer* in connection with the policy will be fully paid within 28 days following commencement of the Policy Period, either in US Dollars, or in NIS calculated according to the representative NIS-US dollar exchange rate at the Bank of Israel on the payment date.
- ii. In case the Premium has not been paid within the aforementioned 28 days, or at other times explicitly agreed upon, any amount in arrears shall bear interest as stipulated in section 4(a) of the Adjudication of Interest and Linkage Law, 1961.

8. Linkage to US Dollars (Relevant Only to US Dollar Insurance Policies)

The Limit of Liability of the Policy, which is specified in US dollars, shall be calculated in accordance with the representative NIS-US dollar exchange rate at the Bank of Israel on the date of actual payment of the Claim. The Retention specified in US dollars shall also be calculated in accordance with the representative NIS-US dollar exchange rate at the Bank of Israel on the date of actual payment of the Claim.

9. Disputes

If the Policy provides an arbitration mechanism then it will be subject to the following choice of the *insured*: any dispute regarding any aspect of this Policy or any matter relating to cover thereunder which cannot be resolved by agreement within 30 days, may be referred to binding arbitration by the *insured*, upon giving seven (7) days' notice to the *insurer*, in the Israeli Arbitration Institute, whose rules shall be deemed incorporated by reference to this Section 10 - Disputes.

10. Sexual harassment - a claim for sexual harassment, including defence costs, shall not be covered:

- i. in respect of the allegedly harassing *insured*, in any of the following cases: the claim for sexual harassment was settled, or it was established through a judgment, or any other final adjudication adverse to the *insured*, or any admission by an *insured* that the *insured* in fact committed sexual harassment;

or -

- ii. in case the *insured* failed to take all the measures stipulated in the Law of Prevention of Sexual Harassment – 1998;

provided that the cause of action stipulated in the claim does not arise under or derive from infringement of any specific Labour Law, or any stipulation in a collective agreement which the *insured* is subject to.

11. Cancellation -

- i. **By *insured*:** This policy may be cancelled by the *insured* at any time only by mailing written prior notice to *insurer*. In such case, the *insurer* shall be entitled to the Premium paid for the period before the cancellation became effective, calculated as follows:

10% of the Premium applicable for the Policy Period, plus 10% for each month or part thereof during which the policy was in force.

- ii. **By *insurer*:** This policy may be cancelled by the *insurer* delivering to the *insured* by mail, at the address of the *insured* set forth in the Schedule, written notice stating when, not less than thirty (30) days thereafter, the cancellation shall be effective. Proof of mailing or delivery of such notice shall be sufficient proof of notice and this policy shall be deemed cancelled as to all *insureds* at the date and hour specified in such notice. In case of cancellation of the policy by the *insurer* before the expiry of the Policy Period, and the reason for the cancellation is not due to the violation of the policy terms by the *insured* or an attempt to defraud the *insurer* by the *insured*, the *insurer* will return the *insured* the amount which the *insurer* would have charged from a similar *insured* in respect of the same type of insurance on the cancellation date, pro-rata to the remaining period up to the end of the Policy Period.

- iii. Any amount not paid by the *insurer* within 28 days will incur interest as stipulated in the section 4(a) of the Adjudication of Interest and Linkage Law, 1961 until the day of actual payment. The reimbursement of the Premium by the *insurer* shall not be a condition to the validity of the cancellation. However, such payment will be made as soon as applicable.
- iv. In case of cancellation due to non-payment of premium, if the *insured* did not pay the premium within 15 days following the *insurer's* written demand, the *insurer* may notify the *insured* in writing that the policy be cancelled after 21 additional days, unless payment is made within such period

APPENDIX I - Notification Procedures & Consultants

WHAT TO DO IN A CRISIS

CRISIS CENTRE HOTLINE

In the event of an incident that may be covered under the terms of the policy, contact the **CRISIS CENTRE HOTLINE**. You will then be contacted by an independent specialist crisis management consultant company.

The crisis management consultants are available globally, 24 hours a day, 7 days a week on a priority basis to advise, assist and respond to emergency situations involving AIG Crisis Management policy holders world-wide.

Notification to the CRISIS CENTRE HOTLINE is independent of, and does not supersede, policy requirements of notice to the Company. (See General Condition 5.21)

The 24-hour crisis response contact number for the **CRISIS CENTRE HOTLINE** is:-

- ⇒ **From outside Canada and U.S.: +1.817.826.7236**
- ⇒ **From within Canada and U.S.: +1.866.551.2919** (i.e. if the Insured has domiciled operations in North America and an incident happens there).

Please have the insurance policy number when calling. Callers will speak directly to or receive an immediate call back from an experienced consultant.

CRISIS MANAGEMENT CONSULTANTS

No prior written consent will be required from AIG Israel Insurance Company Ltd. for the use of the following Crisis Management consultants:

- NSF International
- Fleishman-Hilliard International Communications, Inc
- NYA International Limited