

Product Recall Insurance 6/2016

This Policy is effective when the accompanying Schedule is signed by an authorised representative of AIG Israel Insurance Company Ltd. (hereafter “Insurer”).

In consideration of the insured's obligation to pay the premium and in reliance upon the statements made to the *Insurer* in the proposal form, its attachments, all underwriting information submitted and the material incorporated therein forming a part hereof, the *Insurer* and the *Insured* agree as follows:

1. Insurance Cover

The *Insurer* will reimburse the *Insured* for its *Loss* in excess of the *Deductible*, **but not exceeding the Limit of Liability, caused by or resulting from any Insured Event that first takes place during the Policy Period and is reported to the Insurer in writing during the Policy Period or up to sixty (60) days after expiry of the Policy.**

2. Definitions

2.1. **Bodily Injury** means:

- a) death;
- b) clear, identifiable, internal or external visible physical symptoms of injury, sickness or disease sustained by a person.

Bodily Injury does not include emotional distress or mental anguish unless due to physical injury, sickness or disease.

2.2. **Business Interruption** means the *Loss of Gross Profit* and *Extra Expense* incurred as a result of an *Insured Event*.

2.3. **Consultant and Advisor Costs** means fees and costs of product safety, security or public relations consultants or advisors hired with the *Insurer's* prior written consent to assist the *Insured* with an *Insured Event*. No prior written consent will be required for the use the consultants named in Appendix I.

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

2.4. **Deductible** means the amount referred to in item x of the schedule.

- 2.5. **Defect** means a defect, deficiency or inadequacy of the *Insured Product* that creates a dangerous condition when used that would or has resulted in *Bodily Injury* or *Property Damage*.
- 2.6. **Defence Costs** means reasonable and necessary fees, costs and expenses incurred by or on behalf of the *Insured* with the prior written consent of the *Insurer* for *Legal Proceedings*. **Defence Costs do not include wages, salaries or other remuneration of any Insured or employee.**
- 2.7. **Destruction Costs** means 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*.
- 2.8. **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.
- 2.9. **First Inception Date** means the date specified in the Schedule.
- 2.10. **Governmental Recall** means where, as the result of a *Defect*, *Malicious Product Tampering*, or *Product Extortion*:
- a) an official recall order is issued by any authorized governmental or regulatory body; or
 - b) where all governmental or regulatory recall criteria have been satisfied and the official recall order is imminent.
- 2.11. **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.

- 2.12. **Informant** means any person providing information not otherwise obtainable, in return for a *Reward* offered by the *Insured*.
- 2.13. **Insured** means the sole proprietorship, partnership, or corporation stated in Item 1 of the Schedule.
- 2.14. **Insured Event** means any *Product Recall* or *Governmental Recall* resulting from any:
- a) *Defect*;
 - b) *Malicious Product Tampering*; or
 - c) *Product Extortion*.

as provided for under item 4 Limits of Liability of the Schedule.

- 2.15. **Insured Product(s)** means
- a) Any finished product(s) and/or component parts that have been reported to the *Insurer* in the proposal on file with the *Insurer* for the effective dates of this Policy or by addendum to such proposal, provided such products have been:
 - i) manufactured, handled or distributed by the *Insured*; or
 - ii) manufactured by any contract manufacturer for the *Insured*; or
 - iii) sold or marketed by the *Insured* ; and/or
 - b) Any finished product(s) and/or component parts that were not reported to the *Insurer* in the proposal on file with the *Insurer* for the effective dates of this Policy or by addendum to such proposal, **provided that:**
 - i) **written notice is given to the *Insurer* no less than ninety (90) days prior to its introduction for sale; and**
 - ii) **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 a *Defect, Malicious Product Tampering, or Product Extortion* affecting the product(s) and/or component parts had occurred; and**
 - iii) **the *Insurer* has given written acceptance of such product(s) and/or component parts. Such acceptance will not be unreasonably withheld and will be given or refused within thirty (30) days of receipt of written notice in accordance with (i). At the sole discretion 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.**

- 2.16. **Insured's Product Recall Costs** means reasonable and necessary costs incurred by the *Insured* or by the *Insured's* distributor to withdraw or destroy such affected *Insured Product(s)* pursuant to an *Insured Event*. *Insured's Product Recall Costs* also include, but are not limited to:
- a) The cost of newspaper, magazine or any printed advertising (whether 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)*;
 - b) Essential transportation and accommodation costs directly attributable to the recall of the *Insured Product(s)*;
 - c) 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)*;
 - d) Overtime paid to regular employees of the *Insured* for work devoted exclusively to the recall of the *Insured Product(s)*;
 - e) The necessary out-of-pocket expenses of personnel under paragraphs (c) and (d) above, including transportation, incurred exclusively for the purpose of such recall of the *Insured Product(s)*.
 - f) 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;
 - g) The cost of shipping the *Insured Product* from any purchaser, distributor or user to the place or places the *Insured* designates;
- 2.17. **Insurer** means AIG Israel Insurance Company Ltd.
- 2.18. **Legal Proceedings** means litigation, arbitration, mediation, adjudication or any other process of dispute resolution.
- 2.19. **Loss** means all reasonable and necessary:
- a) *Insured's Product Recall Costs*;
 - b) *Business Interruption*;
 - c) *Replacement Costs*;
 - d) *Rehabilitation Expenses*;
 - e) *Defence Costs*;
 - f) *Consultant and Advisor Costs*;
 - g) *Product Extortion Costs*;
 - h) *Third Party Product Recall Costs*
 - i) *Destruction Costs*.

incurred directly and solely as the result of an *Insured Event*.

Except as otherwise provided with respect to *Business Interruption* and *Product Extortion Costs*, *Loss* is limited to expenses or costs incurred within twelve (12) months after the *Insured Event* took place. In no event will any amounts claimed and paid under one *Insured Event* be recoverable under another *Insured Event*.

Loss does not include matters that may be deemed uninsurable under the law pursuant to which this Policy is construed.

- 2.20. **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.

- 2.21. **Malicious Product Tampering** means any actual, alleged or threatened, intentional, malicious, and wrongful alteration of the *Insured Product(s)*, by any person (including an employee of the *Insured*), so as to render the *Insured Product(s)* unfit or dangerous for its intended use or to create such impression to the public.
- 2.22. **Policy Period** means the period set forth in the Schedule or any shorter period arising as a result of cancellation of the Policy.
- 2.23. **Product Extortion** means any *Malicious Product Tampering* involving a *Product Extortion Monies* demand communicated to the *Insured*.
- 2.24. **Product Extortion Costs** include:
- a) *Product Extortion Monies* paid by the *Insured* in direct response to a *Product Extortion* made and reported during the *Policy Period*;
 - b) In transit or delivery loss due to their destruction, disappearance, confiscation or wrongful appropriation of *Product Extortion Monies* while being handled or conveyed by anyone who is authorised by the *Insured* to have custody thereof; provided, however, that the *Product Extortion* demand which gave rise to the delivery is covered hereunder; and
 - c) Reasonable and necessary extortion expenses or fees which are incurred and paid by the *Insured* solely as a direct result of a *Product Extortion* including but not limited to:
 - i. the amount paid by the *Insured* as a *Reward* to an *Informant* for information relevant to a specific *Product Extortion* demand;
 - ii. interest costs for a loan from a financial institution made to the *Insured* for the purpose of paying *Product Extortion Monies*;

- iii. costs of travel and accommodations incurred by or on behalf of the *Insured* while attempting to negotiate a *Product Extortion* demand;
- iv. medical services and hospitalisation costs incurred by any person(s) directly involved in the handling or negotiating of a *Product Extortion* demand and/or the handling of *Product Extortion Monies*, **for up to thirty six (36) months following the last credible *Product Extortion***, including, but not limited to, any costs for treatment by a neurologist or psychiatrist, costs for cosmetic surgery, and expense of confinement for such treatment;
- v. costs of an independent forensic analysts engaged by the *Insured*;
- vi. costs of a qualified interpreter assisting the *Insured*;
- vii. increased costs of security recommended by a security consultant which has been pre-approved by the *Insurer* 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**, after the first *Product Extortion* demand.

2.25. **Product Extortion Monies** means any monies which the *Insured* has paid or were lost in transit subsequent to a *Product Extortion*. For purposes of this Policy, the term monies includes cash, monetary instruments, bullion, or the fair market value of any securities, tangible property or services.

2.26. **Product Recall** means the withdrawal or recall from the stream of commerce of an *Insured Product* because of a known or suspected *Defect*, *Malicious Product Tampering* or *Product Extortion* directly related to the *Insured Product* which has caused or is reasonably expected to cause *Bodily Injury* or *Property Damage* **provided that such:**

- a) **product was first introduced into the stream of commerce after the *First Inception Date*;**
and
- b) **the product was no longer in the physical possession of the *Insured*, its agents or employees.**

2.27. **Property Damage** means physical damage to, loss of or destruction of tangible property.

2.28. **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*.

2.29. **Rehabilitation Expense** means expenses actually incurred directly by the *Insured* as a direct result of an *Insured Event* to re-establish the *Insured Product(s)* to the reasonably projected level of sales or market share anticipated prior to the *Insured Event*.

2.30. **Replacement Costs** means costs incurred by the *Insured* to restore any recalled *Insured Product(s)* to merchantable quality or replace or redistribute any recalled *Insured Product(s)* that has been destroyed, is unfit for sale or for its original use, with product(s) of similar value.

- 2.31. **Revenue** means the money paid or payable to the *Insured* for *Insured Product(s)*.
- 2.32. **Reward** means monies paid for information which results in *Product Extortion Costs* mitigation.
- 2.33. **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*.

- 2.34. **Third Party Product Recall Costs** means *Insured's Product Recall Costs* and/or *Replacement Costs* that have been reasonably incurred by a customer of the *Insured* in the event that the *Insured Product(s)* becomes a part of a product manufactured, distributed or handled by such customer where the *Insured* is legally obligated to reimburse the customer for such *Insured's Product Recall Costs* and/or *Replacement Costs*. **However, the amount of such costs shall not exceed the total cost the *Insured* would have incurred in recalling such customer's products.**
- 2.35. **Unsafe** means that the use or consumption of the *Insured Product(s)* would result in *Bodily Injury* or *Property Damage*.

3. Exclusions

The Policy does not apply to any *Loss, claim, circumstance arising out of, based upon, attributable to or involving, directly or indirectly any:*

- 3.1. **Matters that may be deemed uninsurable under Israeli law;**
- 3.2. **A product of a competitor that is similar to an *Insured Product(s)* or arising out of a recall of any competitor's product that is similar to the *Insured Product(s)*;**
- 3.3. **Change in customer tastes, competitive environment, economic conditions, population, or seasonal sales variations;**
- 3.4. **Natural deterioration, decomposition, or transformation of the chemical structure of any *Insured Product(s)*, including, but not limited to, any combination or interaction among ingredients, components or packaging. Notwithstanding, this exclusion will not apply if the deterioration, decomposition or transformation is a direct result of an act, error or omission in the manufacturing of the *Insured Product*;**

- 3.5. Failure by any party to adhere to procedures prescribed by the *Insured* regarding the storage, consumption, or use of any *Insured Product(s)*;
- 3.6. Connection with the use or consumption of the *Insured Product(s)* brought by any non- *Insured* except *Insured's Product Recall Costs* or *Third Party Product Recall Costs*. This includes any *Defence Costs* related to any such claim or *Loss*;
- 3.7. Civil or criminal fines, penalties, punitive awards, damages, costs and interest, punitive, aggravated, or exemplary damages, the multiplied portion of multiple damages or non-pecuniary damages;
- 3.8. a) Intentional violation by the *Insured* of any governmental or regulatory requirements in connection with the:
- i. testing, manufacturing, storage, distribution, or sale of any *Insured Product(s)*; or
 - ii. use of any ingredients, components and/or packaging in the manufacturing process which have been previously banned or declared *Unsafe* by any governmental or regulatory body; or
 - iii. maintenance of adequate documentation of the manufacturing process in compliance with any existing governmental or regulatory standards;
- or
- b) Changes in governmental regulations or public perceptions with respect to the safety of any *Insured Product(s)*; or
- c) Illegal act(s) of any of the *Insured's* directors, officers or trustees;
- 3.9. Asbestos;
- 3.10. Matter which:
- a) an *Insured*, employee, officer or director of the *Insured* had actual or constructive knowledge of prior to the Policy inception date; or
 - b) occurs after an *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 circumstance(s) which have or are reasonably likely to result in such deviation or *Defect*, and the *Insured* fails to take reasonable corrective action; or
 - c) an *Insured* could have reasonably expected to produce a *Loss* under this Policy;
- 3.11. Nuclear reaction or nuclear radiation or radioactive contamination (except a radioactive tampering 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 direct

or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by an *Insured Event* or otherwise;

- 3.12. Proximate or remote consequence, whether direct or indirect, of war, invasion, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, or military or usurped power;
- 3.13. Costs associated with the expense to design, redesign, engineer, re-engineer recalibrate or retool any *Insured Product*;
- 3.14. Any recall:
 - a) 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; or
 - b) that is initiated due to the expiration of the designated life of the *Insured Product*; or
 - c) of any *Insured Product* which has been banned from the market by any authorized governmental or regulatory body prior to the *Policy Period* or distributed or sold by the *Insured* subsequent to any governmental or regulatory ban;
- 3.15. Matter or *Legal Proceedings* made or brought by or on behalf of any *Insured* against any other *Insured(s)*;
- 3.16. Any recall due to copyright, patent, trade secret, trade dress or trademark infringements;
- 3.17. Any recall where the *Insured* has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the *Insured* would have had in the absence of the contract or agreement;
- 3.18. Loss to land (including land on which property is located), water, or growing crops or lawns; crop failure; or livestock.

4. General Conditions

- 4.1. **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; or
 - b) acquisition of the majority stock ownership of; or
 - c) acquisition of the assets ofany 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 at its sole discretion and **there shall be no cover for such additional exposure until it is accepted by the *Insurer* in writing**. Such acceptance will not be unreasonably withheld, and will be given or refused within thirty (30) days of receipt of such written notice, and may be accompanied by changes in one or more of the terms, conditions or premium of the Policy.

However, no cover shall apply to any additional exposure accepted by the *Insurer* if at the time of giving notice pursuant to this provision the *Insured* knew or could reasonably have been expected to know that any *Defect, Malicious Product Tampering, or Product Extortion* affecting such additional exposure had occurred.

- 4.2. **Assistance and co-operation:** The *Insured* will at its own expense 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 *Legal Proceedings*.
- 4.3. **Assignment:** This Policy and any rights hereunder cannot be assigned without written consent of the *Insurer*.
- 4.4. **Notice and authority:** It is agreed that the first *Insured* listed on the Schedule acts on behalf of all *Insureds* 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 *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, *Loss* or *Legal Proceeding*;
 - i) the receipt of amounts payable by the *Insurer* under this Policy.
- 4.5. **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 for any reason by the *Insurer* by written notice to the *Insured* at the address specified in item 1 of the schedule stating when, not less than one hundred and twenty (120) days thereafter, the cancellation will be effective. However, in the event of cancellation for non-payment of premium by the *Insured*, and 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 any 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 annual premium hereon.

If this Policy is cancelled by the *Insurer*, the *Insurer* will retain the pro-rata portion of the annual 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.

- 4.6. **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.
- 4.7. **Coinsurance:** The *Insured* shall excess of the *Deductible* bear uninsured at its own risk and pay the Coinsurance percentage proportion of each *Loss*. The *Insurer's* liability hereunder with respect to a *Loss* shall apply only to the remaining percentage of such loss and the *insurer* shall have no obligation to pay to the extent that any applicable coinsurance is not paid by the *Insured*. Payments of coinsurance shall not be subject to and do not reduce any limits of liability under this policy.
- 4.8. **Fraud:** Without prejudice to the *Insurer's* other rights, however arising, **the *Insurer* shall be entitled to avoid this Policy from inception in the case of any fraudulent notice of *Loss* made by any *Insured* under this Policy as regards amount or otherwise.**
- 4.9. **Confidentiality:** The *Insured* will use all reasonable efforts not to disclose the existence of this Policy unless required by law to do so.
- 4.10. **Deductible(s):** The *Deductible(s)* stated in item 6 the Schedule will apply separately to each and every *Loss*. **The *Deductible(s)* is to be borne by the *Insured* and remain uninsured.**
- 4.11. **Due diligence:** The *Insured* will exercise due diligence to do all things reasonable and practical to avoid any *Insured Event* and make all reasonable efforts to mitigate any *Loss* arising as a result of an *Insured Event*.
- 4.12. **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.

- 4.13. **Excess insurance:** The *Insured* may purchase other insurance in excess of 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.
- 4.14. **Inspection and audit:** The *Insurer* may examine and audit the *Insured's* business documents relating to the subject matter of this insurance for up to 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*.
- 4.15. **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 Limit of Liability. Notwithstanding the above, and solely in respect of *Legal Proceedings* filed against the *Insured* within the jurisdiction of the courts of Israel, it is agreed, pursuant to Section 66 of the Insurance Contract Law, that in the event of a Loss, including *Defence Costs*, exceeding the Limit of Liability, this Policy shall cover reasonable *Defence Costs* exceeding the Limit of Liability.
- 4.16. **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.**
- 4.17. **Discovery and 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 liability of the *Insurer* under this Policy:
- a) Send to the *Insurer* a written notice of a claim of Loss as soon as practicable within the *Policy Period* after the alleged *Insured Event* has taken place, or up to thirty (30) days after the expiry of the Policy; and
 - b) Provide to the *Insurer* at their own expense within 10 days of the notice provided in accordance with (a), 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.
 - c) Provide the *Insurer* with periodic and timely updates concurrent with activity taking place during the *Insured Event*.

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

AIISrClaims@aig.com

Attention: Claims Manager

d) 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.

- 4.18. **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* takes place. 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*.
- 4.19. **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* in accordance with General Provision 4.18.
- 4.20. **Choice of law:** The construction, validity and performance of this Policy will be governed by Israeli law.
- 4.21. **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 4.10 and 4.7 herein remains uninsured. The insurance provided under this Policy will be primary in all instances **except where a policy issued by a company which is not part of American International Group Inc (AIG) exists covering similar exposures, in which event the insurance provided under this Policy will co-insure all Losses where coverage is also provided by such non-AIG company.**
- 4.22. **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.
- 4.23. **Salvage:** Any salvage or other recovery, after expenses incurred in salvage or recovery are 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*.

4.24. **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.

4.25. **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.**

4.26. **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*.

4.27. **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 execution of such documents necessary to enable the *Insurer* effectively to bring suit.

4.28. **Policy Interpretation:** 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 not specifically defined in this Policy have the meaning normally

attributed to them. The words and expressions used in definitions 2.10 and 2.34 shall have the meanings usually attached to them in the Books and Accounts of the *Insured*.

4.29. **No Rights for Third Parties:** Nothing in this Policy is intended to confer a directly enforceable benefit on any party other than the *Insured*.

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 4.17)

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