



**Professional Indemnity & Infidelity Insurance
For
Stock Brokers, Investment Consultants,
Underwriters, Portfolio or Fund Managers**

Whereas the Insured as herein defined has submitted a written proposal, containing particulars and statements which it is hereby agreed are the basis of this contract and are to be considered as incorporated herein, and has paid or agreed to pay the premium stated in the Schedule, the Insurer **AIG Israel** (hereinafter the "Insurer") hereby agrees to indemnify the Insured, to the extent and in the manner hereinafter provided.

The Insurer undertakes to indemnify the Insured for any sum or sums the Insured may become legally liable to pay, including, claimants' costs and expenses, for any claim or claims first made against the Insured during the Period of Insurance up to an amount not exceeding the Limit of Liability stated in the Schedule, for or as a result of:

- (a) Breach of professional duty, negligent act, error or omission;
- (b) Breach of any of the following laws or of ordinances enacted thereto:
 - Securities Act 5728 -1968
 - Joint Investment Trust Law, 5754-1994
 - The regulation of the conducting Investment Counselling, Investment Marketing and Portfolio Management Law 5755-1995;
- (c) Physical loss, destruction, theft or damage to securities, including wrongful abstraction or removal or where the securities have been lost, mislaid or accidentally destroyed;
- (d) Libel and slander made or alleged to have been made by the Insured or any person or entity acting on the Insured's behalf;
- (e) Dishonest or Fraudulent Acts on the part of an Employee.

Arising in the course of the Insured's business as stock brokers &/or investment consultants &/or underwriters &/or portfolio &/or fund managers as well as any other financial service advised to the Insurer as noted in the Schedule.

POLICY DEFINITIONS

Insured shall mean:

- (a) The persons, partnerships and companies (the latter two entities hereinafter called "the Partnerships and Companies") named in the Schedule herein which expression shall also include any other person or persons who may during the subsistence of this Policy become or may at any time have been a partner in the Partnerships and Companies; or
- (b) The entity named in the Schedule as the Principal Insured and any Subsidiary Company(ies) in which the Principal Insured have a Controlling Interest which, were created, acquired or merged with prior to the inception of this Policy.

Controlling Interest shall mean entities in which the Principal Insured directly or indirectly:

- (i) controls the composition of the majority of the board of directors; or
- (ii) controls half or more of the voting power; or
- (iii) holds half or more of the issued share capital

Subsidiary Company shall also mean any company that falls within the above, acquired or created subsequent to the inception of this Policy, provided prior written notification thereof has been submitted to the Insurer, who may at its sole discretion require payment of an additional premium, such premium being mutually agreed between the Insurer and the Insured.

- (c) The estates &/or the legal representatives of any of the persons, partnerships, company or entities noted under (a) or (b) above in the event of their death, incapacity, insolvency or bankruptcy (as applicable).

Securities shall mean: stock, shares, scrip, transfers, certificates, debentures, bonds, coupons, warrants, bills of exchange, promissory notes, certificates of deposit, title deeds, bearer instruments, or other documents of value or of a negotiable nature.

Dishonest or Fraudulent Acts shall mean dishonest or fraudulent or malicious acts or omissions on the part of an Employee, who is not a partner or director (whether salaried or non salaried) of the Insured which were committed or omitted, as the case may be, with the intention of making, and which results with, an improper financial gain for themselves or their accomplices.

If a series of third party claims shall result from any single Dishonest or Fraudulent Act or Omission (or related series of Dishonest, Fraudulent or Malicious Acts or Omissions) then, irrespective of the total number of claims, all such third party claims shall be considered to be a single claim for the purposes of the application of the Limits of Indemnity and the deductible.

Employee shall mean:

- (a) the Insured's officers, clerks, servants and other employees while employed by the Insured.

- (b) a director of the Insured who is employed as a salaried officer or employee whilst acting in the course of their employment by the Insured;
- (c) a director of the Insured (other than one who is employed as a salaried officer or employee) but only while performing acts coming within the scope of the usual duties of an employee of the Insured or while acting as a member of a committee duly elected or appointed by resolution of the board of directors of the Insured to perform specific, as distinguished from general, directorial acts on behalf of the Insured;
- (d) Independent members of professional committees performing services for the Insured;
- (e) all former employees, former directors but only while performing acts coming within the scope of the usual duties of an employee of the Insured,

Claim shall mean:

The expression "Claim" shall mean:

- (a) Any written notification containing a demand for indemnity or an intention to hold the Insured responsible for any damage.
- (b) A claim is deemed to have been made at the moment of receipt by the Insured of the written notification as mentioned above.
- (c) Several claims arising, out of the same cause, irrespective of the actual time such claims are made shall be regarded:
 - as having been made at the time the first claim was made.
 - as one and the same claim.

Any written notification given to the Insurer by the Insured of circumstance which may reasonably be expected to give rise to a claim in the future against the Insured; any such claim subsequently filed, shall be deemed a claim made against the Insured during the Period of Insurance.

Deductible

The Insurer shall only be liable for the amount arising from a *claim* which is in excess of the Deductible amount specified in the Schedule with regard to all payment under all insurance covers under this policy. All claims arising out of one Claim shall be considered as one Claim and one Deductible shall apply.

POLICY EXCLUSIONS

The Insurer shall not be liable to indemnify the Insured for any Claim or Claims or Loss or Losses:

- 1) Directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), acts of sabotage and terror, civil war, rebellion, revolution, insurrection, military or usurped power or confiscation or nationalisation or requisition or destruction of or damage to property by or under the order of any government or public or local authority;
For the purpose of this exclusion - "Terror" shall mean the use of force for political purpose, including the use of violence intended to put the public or any part of the public in fear by a person or persons acting on behalf of or in connection with any organization whatsoever.
- 2) Directly or indirectly due to ionizing, radiation or contamination by radio-activity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel or from the radioactive toxic explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof;
- 3) Arising out of any circumstances or occurrence:
 - (a) sustained prior to the Retroactive Date noted in the Schedule (if any) or any loss involving any act, transaction, or event which occurred or commenced prior to the Retroactive Date; or
 - (b) discovered prior to the inception date of the Policy Period stated in the Schedule; or
 - (c) discovered subsequent to the termination of the Policy; or
 - (d) notified to a prior insurer.
- 4) for which the Insured is entitled to indemnity under any other policy effected by or for the benefit of the Insured; however, this exclusion shall not apply if the Insured is not actually indemnified under any such other insurance;
- 5) Arising out of any legal proceedings instituted within the United States of America or Canada or
Arising out of any legal proceedings instituted to enforce a judgement obtained in any court of the United States of America or Canada..
- 6) For bodily injury, sickness, disease or death sustained by any person, or any physical damage or destruction of property unless arising from the failure to perform a professional duty or from a negligent or malicious act, error or omission in connection therewith.
- 7) Arising out of any dishonest, fraudulent, criminal or malicious act or omission of any director or partner of the Insured.
- 8) For fines, punitive damages, penalties or exemplary damages.
- 9) Arising out of the insolvency or bankruptcy of the Insured.

- 10) **Arising out of financial &/or investment advice or on representations advice or forecasts given by the Insured or by any director, officer partner or employee on their behalf in respect of investment which fails to perform in accordance with the same, unless proven to be the result of negligence, error or omission can be proved.**
- 11) **Caused by or contributed to by or arising from loss of value and/or investment originating from fluctuations in the capital markets and at the stock exchange.**
- 12) **Arising out of any transactions carried out for or on behalf of any partner director, associate member or employee of the Insured, as well as institutions or companies where the Insured has a controlling interest**
- 13) **Arising from any liability assumed by the Insured under any express warranty, agreement or guarantee, unless such liability would have attached to the Insured notwithstanding such express warranty, agreement or guarantee.**
- 14) **For libel or slander made by any partner or employee of the Insured against the Insured or against any other partner or employee.**
- 15) **Arising out of the intentional failure of the Insured to comply with the provisions of any statute, including any regulations made thereunder, or with any laws, regulations or requirements laid down by any regulatory or supervisory body or agency, whether governmental or otherwise.**
- 16) **For any loss to any person or body sustained solely in consequence of any direction by any regulatory or supervisory body, whether governmental or otherwise.**
- 17) **For loss in respect of nostro (i.e. funds or Securities owned by an Insured entity) &/or portfolios of Employees directly engaged in the professional services provided by the Insureds.**
- 18) **Any legal liability arising from or contributed to by the Insured having refused to provide any financing or refused to fulfill any actual or alleged commitment to make any loan or transaction in the nature of a loan or a lease or an extension of credit, whether such commitment was authorized or unauthorized.**
- 19) **Any third party claim for the reimbursement of fees, commissions, costs or other charges paid or payable to the Insured, or, any third party claim based upon allegations against the Insured of excessive fees, commissions, costs or other charges.**
- 20) **Any suit or legal proceeding brought by or on behalf of or at the behest of a shareholder or shareholders of the insured in their capacity as such.**

POLICY CONDITIONS

This Policy, the Schedule and any other document attached hereto, shall be construed as one contract, any word or expression to which a particular meaning has been attached shall be considered as having the same particular meaning wherever appearing.

1. **Applicability of Law**

This Policy is subject to the law of the State of Israel expressly including the Insurance Contract Law 5741 - 1981. In the event of dispute this Policy shall be subject to the exclusive jurisdiction of the competent courts in Israel.

2. **Limit of Liability**

The total liability of the Insurer for all claims first made against the Insured and reported to the Insurer during the Period of Insurance (including defense costs, charges and expenses) shall not exceed the Limit of Liability as shown in the Schedule.

Notwithstanding the above and solely in respect of a Claim filed against the Insured within the jurisdiction of the courts of Israel, it is agreed that in the event of a claim, including defense costs, charges and expenses, exceeding the Limit of Liability, then this Policy Section in addition thereto shall cover reasonable defense costs, charges and expenses as defined in the Insurance Contract Law, 5741-1981.

Insurer shall only be liable for the amount arising from a Claim which is in excess of the Deductible stated in the Schedule.

3. **Representation – Official Inquiry or Charge up to \$ 100,000 for the period of insurance**

Subject to no charges having been filed subsequent to an official inquiry and/or subject to charges being dropped or a not guilty verdict being given, this Policy Section is extended to indemnify the Insured for reasonable costs of legal representation before an official inquiry and/or in respect of any criminal charge filed (including any appeal) against the Insured or against any person for whom the Insured is responsible, whose findings, if found guilty, would be deemed evidence in accordance with Article 42 of the Evidence Ordinance (New Version), 5731-1971 with regard to a Claim covered under this Policy Section; Provided always that the liability of the Insurer in respect of such representation costs in aggregate shall not exceed the limit noted in the Schedule in respect thereof. This sub-limit is part of and not in addition to the total aggregate limit of liability specified in the Schedule and in no way serve to increase the Insurer's limit of liability as specified therein.

The Insurer shall advance payment in respect of such costs, subject to the Insured undertaking to repay all such advance payments in the event of a guilty verdict.

4. **Extension of the Insurance Period**

Any extension of the Period of Insurance under the Policy shall be subject to the Insurer's written agreement which shall be given expressly in respect thereof.

5. **Cancellation**

This Policy may be cancelled by written notice given by the Insurer to the Insured at least 90 days prior to the effective date of cancellation. The Policy earned premium shall be computed and the Insured shall be entitled to a pro-rata return premium in respect of the unexpired period.

This Policy may be cancelled by written notice given by the Insured to the Insurer at least 30 days prior to the effective date of cancellation. The Policy earned premium shall be computed as customary for short period (i.e. pro rata plus one month premium).

6. **Extended Reporting Period**

Subject to the Insured not having effected other insurance equivalent to that granted under this Policy, the Insured shall have the right to purchase from the Insurer the following extended reporting period:

- (i) 12 months for 100 per cent of the full annual premium; or

To purchase such an extended reporting period, the Insured must request its purchase in writing prior to the termination date of the Policy and must tender the additional premium due within 30 days of the said termination date. The additional premium is not refundable and the extended reporting period is not cancellable. However this condition shall only apply to claims first made, in writing, during the extended reporting period that result from an event committed after the retroactive date stated in the Schedule (if any) and prior to the date upon which the extended reporting period commenced. This condition shall not operate to extend the Insurer's Indemnity Limits for the last Annual Period prior to this condition being invoked; such Indemnity Limits as a consequence shall apply to the last Annual Period and the extended reporting period combined. For the purpose of this condition, if the Insurer cancels the Policy, the last Annual Period of this Policy, shall be the Annual Period in which the Insurers cancel the Policy.

7. **Material Change**

Should there be any material change in the information given by the Insured, which formed the basis of this contract, or in the event of any steps being taken in order to revoke the Insured's licence to operate &/or to have the Insured declared insolvent, written notice thereof shall be given to the Insurer, as soon as possible after the Insured having become aware of such material change or event.

8. **Change of Control of the Insured**

In the event of there being any change in the effective ownership or control of the Insured whether financial or otherwise and whether occurring by operation of law, voluntary act on the part of the Insured or by merger, purchase or sale of assets or shares or in any other way then cover under this Policy shall thenceforth cease in respect of all and any third party claim first made thereafter unless the Underwriters agree in writing to the continuation of the Policy and then only upon such terms as may be stipulated by Underwriters.

9. **Notification**

- a) Upon the Insured becoming aware of any claim filed against him or of any circumstances which may subsequently give rise to a claim, the Insured shall as soon as practicable notify the Insurer thereof in writing.
- b) The Insured shall deliver to the Insurer, as soon as possible after having been required to do so, such information and documents acquired for ascertaining the Insurer's liability, and if they are not in his possession, the Insured shall assist the Insurer to the best of his ability in obtaining them.

10. **Fraudulent Claim**

If any claim under this Policy shall be in any respect fraudulent or if any fraudulent means or devices are used by the Insured or anyone acting, on the Insured's behalf to obtain any benefit under this Policy, all benefits in respect thereof shall be forfeited.

11. **Subrogation Clause**

If any payment is made under this policy in respect of a claim, the Insurer shall be subrogated to all the Insured's rights of recovering relation hereto, however the Insurer shall not be entitled to exercise his rights in any way prejudicial to the rights of the Insured. The Insurer agrees to waive all rights of subrogation against the Issuer's subsidiaries or affiliated corporations or companies, or any other company or corporation associated with the Insured through ownership or management. The Insurer further agrees to waive his rights towards any person being in the Insured's service or being a member of its board, and towards any person or party that the Insured agreed in writing to release from liability or waive rights of subrogation against, prior to the loss or damage.

12. **Other Insurances**

In the event of a Claim the Insured shall notify the Insurer of any other insurance effected by or on behalf of the Insured covering the same interest.

13. **No Admission Assistance And Co-operation**

- a) The Insured shall not make any payment, assume any obligation, make any admission or offer to settle any Claim for which indemnity is or may be sought under this Policy, without the prior written consent of the Insurer, who will be entitled at his own expense and at any time, to take over and conduct, in the Insured's name, but without prejudice to the interest of the Insured, the defence or settlement of any Claim against the Insured notified under this Policy.
- b) The Insured shall cooperate with the Insurer, and upon request shall attend hearings and trials and shall reasonably assist in the conduct of suits and effecting of settlements.

14. **Notices**

Any notice to the Insured or to the Insurer shall be given in writing, at their last known address.