



**PROPERTY ALL RISKS AND BUSINESS
INTERRUPTION INSURANCE POLICY**

(Version 1/2010)

Whereas the Insured whose name and address are indicated in the Schedule has applied to:

**AIG Israel Insurance Company
LTD. (Hereinafter: "the Insurer")**

With a request to affect the Insurance specified in this policy; And whereas the Insurer has agreed to affect the said Insurance, against the Insured undertaking to pay the Insurance premiums stated in the Schedule;

Accordingly, it was agreed that the Insurer undertakes to indemnify the Insured in respect of unforeseen physical loss or damage which shall be caused to the property insured under Section 1 of the policy ("Property Insurance").

The insurer also undertakes to indemnify the Insured for Business Interruption as defined under section 2 resulting out of loss or damage to the property insured, as covered under section 1 - "Property Insurance", provided such cover is specified in the policy schedule.

Provided that the property described in the Schedule of the Policy or a part thereof was lost or damaged, as a result of any cause whatsoever which was not expressly excluded, in accordance with the conditions of this Policy within the period of insurance determined in the Schedule or any additional period the insurer agreed to in respect of which the Insured paid or agreed to pay the insurance premiums which were determined in respect of such additional period.

Stipulated that the sum which shall be paid by the Insurer in respect of each and every item in the Schedule shall not exceed the sum registered alongside it and in all shall not exceed the total sum insured stated therein or any other sum or sums which shall be determined instead by addition to this Policy or by endorsement thereto duly signed by the Insurer or in its name. In no circumstances shall it exceed the damage caused to the Insured due to the insured property having been lost or damaged and to the Business interruption loss suffered.

This Policy was issued by the Insurer on the basis of the insurance Proposal and/or any other document or information which was presented to the Insurer and which constitutes a basis and integral part of this Policy.



Section 1 - Property Insurance

The Property Insured:

The Property *as* defined in the Schedule whilst same is owned by the Insured and/or is in his care and/or responsibility and whilst it is situated at the addresses noted in the Schedule, and/or within its immediate area as well as anywhere within the state of Israel and the administered territories.

This Policy covers property whilst situate in the Territory specified in the Schedule.

EXCLUSIONS TO THE INSURER'S LIABILITY

1. **This insurance does not cover loss or damage that was caused directly or indirectly to the insured property by:**
 - a. **Any nuclear material whatsoever, ionizing radiation or radioactive pollution from any nuclear fuel whatsoever or from nuclear waste and /or from any nuclear fuel whatsoever and/or from the combustion of nuclear fuel whatsoever. For the purpose of paragraph 1(a) above, burning shall include any process of self- sustained nuclear fission.**
 - b. **the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly , weapon or component .**
 - c. **War, invasion, foreign enemy act, hostilities or acts of war (whether war has been declared or not), civil war, acts of sabotage and/or terrorism, rebellion, military or civilian uprising, mutiny, revolt, revolution, military or usurped power, military regime or a state of siege or events of factors causing the declaration or existence of military rule or a state of siege.**

For the purpose of this exclusion - "terrorism" shall mean the use of violence for political purposes, including any use of force for the purpose of putting the public or section of the public in fear, by a person or persons acting on behalf of, or in connection with any hostile organization to the state.

It is agreed that only the specific certification by the Israeli Police and/or the Ministry of Defense or the manager of the Property Tax and Compensation Fund, determining unequivocally that the insurance event was caused directly as a result of one of the events detailed in this exclusion, shall form the basis for the rejection of the Insureds' claim for insurance benefits according to this exclusion.



- d. Earthquake and/or volcanic eruption and/or other natural tremor or subterranean fire, tsunami, natural damages, storm, tempest and flooding, unless otherwise stated in the Schedule.
- e. Pollution, except for pollution of the property insured under this Policy if caused as a result of the risks expressly covered thereunder or damage to the insured property as a result of the risks expressly covered under this policy which were caused as a result of pollution.
- f. An intentional act of the Insured or by any one acting on his behalf and with his knowledge.
- g. A defect in the nature of the insured property (inherent vice), gradual deterioration, ordinary wear and tear, defective or unsuitable design, materials or work.
- h. Damage caused as a result of cleaning, repair or renovation process of the insured property.
The aforesaid shall not be applicable for other physical loss or damage, which was caused as a result of the aforementioned reasons and the Insurers liability shall be limited solely to damage caused as a result thereof.
- i. Corrosion, rust, extreme conditions of heat or cold, changes in temperature, humidity, mold, evaporation, shrinkage, contamination, dilution, loss of weight, vermin, insects or scratches, mould or fungi unless resulting from loss or damage to the insured property not otherwise excluded under this policy and reported to the insurer within 6 months of the date of the original insured loss or damage.
- j. Loss due to infidelity or dishonesty of the Insured or his employees nor loss or damage resulting from the Insured voluntarily parting with title or possession of any property, if induced to do so by any fraudulent scheme, trick, device or false pretense nor loss or shortage disclosed on taking inventory. This exclusion as relates to employees shall be limited solely to loss of Property Insured due to theft, or embezzlement in the course of their service with the Insured.
- k. Mechanical breakdown, irregular mechanical or electrical operation unless, if damage was caused as a result thereof, by any reason whatsoever which was not excluded and, in such event, the Insurers' liability shall be limited only to the damage caused as a result thereof. In order to obviate doubt, this exclusion shall not apply to explosion, buckling, collapse, splitting and overheating of boilers, pressurized and under-pressurized instruments.
- l. Damage caused to stock and/or materials being processed or as a direct result of same being in the production process or due to temperature changes or



atmospheric changes emanating from mechanical breakage or electrical damages or emanating from interruptions in the supply of electricity, gas or water, except as stated in extensions 7 spoilage of stock.



- m. burglary, robbery or any attempt thereat, unless otherwise expressly stated in the Schedule. In any case, even if the Policy has been extended to cover burglary and/or robbery, loss or damage caused by theft committed without forcible and violent entry evident by clear physical marks, is expressly excluded.
- n. Disappearance, unexplained shortage.
- o. Gradual subsidence of land and gradual subsidence of buildings and infrastructures. Collapse or cracking of buildings unless directly resulting from a peril not otherwise excluded. Gradual change in water table and/or normal settlement of buildings.
- p. erasure or corruption of electronic data (including following a computer virus). This exclusion does not apply to resulting loss or damage to Property Insured should an Insured Event (except malicious, purposeful and intentional loss or damage) follow. For the purpose of this exclusion "electronic data" shall mean Information converted to a form useable for communications, interpretation or processing by electronically controlled equipment, including programmes, software and other coded instructions.
- q. No payment will be made under this policy if its violates any U.S. economic or trade sanctions including the sanctions administered and enforced by the Office of Foreign Assets Control ("OFAC") of the U.S. Treasury Department. This will include any payee or beneficiary that would otherwise be entitled to receive payment under this policy in the event of a claim as a result of that beneficiary or payee being subject to any economic or trade sanctions mentioned above.

2. Property , which is not included in the Insurance:

This insurance does not cover loss or damage to the property detailed hereunder:

- a. Works of art in an inclusive sum exceeding \$10,000 per each item and \$250,000 in the aggregate, or that are not situated within the Insured premises, unless specified otherwise in the schedule.
- b. Precious stones, Jewelry, securities, promissory notes, stamps, cash, coins and cheques.
- c. Motorized vehicles, sailing crafts, trains, aircrafts.
- d. Land, water sources (including underground water) and reservoirs.
- e. Growing crops, Vegetation and Animals.

3. Consequential Damage

The Insurer shall not be liable for any consequential loss and/or indirect damage, including: any loss of market, loss of profit, delay, fines, compensation whatsoever even if caused to the Insured as a result of the insured risks under this policy,



apart from those losses insured under section 2 - Business Interruption, provided such cover is explicitly noted in the schedule.

4. Electricity Paragraph

Unless otherwise expressly stated in the Schedule, the Insurer shall not be liable for any loss or damage to any machine and/or electrical appliance and/or electrical apparatus or a part thereof which was caused by fire which broke out as a result of the following matters or by them:

Excess voltage, overloading, short-circuit, electrical arching, over heating which was caused by any reason whatsoever including lightning, provided that this limitation shall only apply in regard to that electrical machine, or the electrical appliance or the electrical apparatus or to a part thereof which may be separated, which was damaged as aforementioned and not in regard to other electrical machines, appliances or apparatus which sustained loss or damage from fire which spread and reached them.

However this exclusion shall not apply in respect of loss or damage (as above defined) to electrical switchboards up to \$250,000.

5. Damage caused on the Order of a Public Authority

The Insurer shall not be liable for direct loss or damage to insured property which was caused on the order of a public authority.

6. Pal Kal Exclusion:

It is hereby noted and declared that the coverage granted under this policy shall not include loss or damage to building and/or contents and/or any other property of the insured emanating directly or indirectly from ceilings or floors which were built in "Pal Kal" system and which are found within the insured's building and/or in the building in which the insured contents and/or the insured property is located.

7. Transmission and Distribution Lines Exclusion:

It is hereby expressly understood that transmission and distribution lines which are not situated within 150 meters of the insured premises are excluded.

8. This Policy does not cover loss or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss directly or indirectly caused by or contributed to by or arising from;

confiscation, expropriation, nationalization, commandeering, requisition or destruction of or damage to property by order of the Government de jure or de facto or any public,



municipal or local authority of the country or area in which the property is situated; seizure or destruction under quarantine or customs regulation.



EXTENSIONS

In order to obviate doubt it is hereby clarified that:

Nothing in the extensions detailed hereunder - (except for extension 5 "Additions to the Insured Property" and Extension 14 "Special Expenses after damage") shall indemnify or compensate the Insured in excess of the insurance sum or sums stated in the Schedule in respect of which premium was collected.

Insofar as it has not been specifically altered, each and every extension hereunder is subject to all the Policy conditions and limitations.

1. Property outside the insured premises

The insured property is also covered against an insured event whilst it is outside the premises specified in the Schedule, anywhere within the boundaries of the State of Israel and the administered territories for every purpose connected with the business of the Insured. For the purpose of defining burglary risk, if expressly stated in the schedule, the phrase "insured premises" shall also include the premises of others where the insured property is situated.

The liability of the Insurer under this extension shall not exceed the sum stated in the Schedule or in the absence of a sum in the Schedule, will be limited to \$ 250,000 per site. This sum is on the basis of a "first loss" which is not subject to under-insurance.

2. Property in transit

The insured property is also covered against an insured event, also whilst it is in transit in any place in the state of Israel and the administered territories.

The cover under this extension is limited to a sum of \$ 50,000 in respect of property on a single vehicle and in total for the entire insurance period.

3. Property in course of erection and/or demolition

The insured property is covered against the insured perils if same is undergoing erection, placing, building, assembly, running-in, repair, dismantling, transfer and demolition works in the premises being used by the Insured in the course of the normal conduct of the insured's business.



The cover does not apply to:

1) **To property, to the extent that same is insured under a Contractor's Work Insurance Policy, which was effected by the Insured or on its behalf.**

2) **If the value of the works exceeds \$ 250,000.**

3) **The property is erected at a new site, which was not yet transferred to the custody of the Insured.**

In order to obviate doubt it is hereby clarified that the contents of this paragraph do not derogate from the cover granted under the Policy for the rest of the property of the Insured in respect of loss or damage from an event covered under the Policy and resulting from the execution of such works.

4. Property in the open

The insured property is also covered against the insured risks at the time of same being situated in the open except for loss or damage to property which by its nature is not to be situated in the open, due to natural perils defined under item "6" (natural damages) of the "extensions" section.

5. Additions to the insured property

In addition to the sums insured detailed in the schedule, the Policy covers additional sums arising out of alterations, extensions or physical additions to the insured property and also due to levies and additional taxes which shall be imposed by the Authorities on such property and/or an increase in the value of the property (including at the time of reinstatement) as a result of unanticipated changes and provided that all the aforementioned took place after the inception of this policy.

The Insurers liability under this extension shall not exceed a sum equivalent to 20% of the sum insured detailed for each item; but in any event not more than \$5,000,000 in all.

The Insured undertakes to report any such change within a reasonable period of time and to pay accordingly the pro-rata additional premium.

6. Natural Damages

If specified in the Schedule and in consideration of additional premium, the Policy is hereby extended to cover:

A. Earthquake

Earthquake, tremors, and/or volcanic eruption, subterranean fire including fire caused by them, tidal wave (Tsunami).

For the purpose of this risk:



- a) Any loss or damage, which occurred within a continuous period of 72 hours after an earthquake has been registered for the first time, shall be regarded as one occurrence.
- b) Premises, which are immediately adjacent to one another on one continuous area, shall be regarded as a site.
- c) The sum insured shall be regarded as the accumulative sum insured of this Policy including the Business interruption Section of this Policy.
- d) On the occurrence of a loss or damage, which was caused by this peril, the Insured shall bear a deductible of 10% of the accumulative sum insured per site, but not less than \$ 7,500 and not more than \$1,250,000.

B. Storm and Tempest

Wind storm, storm and tempest and/or a stronger wind than these, thunder.

C. Rain and Cloudburst, Snow and Hail

Rain and cloudburst and/or snow and/or hail during their fall and/or collapse of roofs and/or buildings due to overload resulting from accumulation of snow and/or hail and/or rain water.

D. Flood

- a) Sea, lake, river, stream or wadi, reservoirs and dams - overflowing their banks or their regular bonds.
- b) Accumulation or flow outside their normal course above, below, or on the ground, of rainwater or snow or ice.

For the purpose of storm and tempest risk and/or rain and cloudburst, snow and hail and/or flood aforementioned in items B-D:

- 1) **Any loss or damage, which occurred within a period of 72 continuous hours from the commencement of the loss or damage, shall be regarded as one event.**
- 2) **The Insured shall bear a deductible at a rate of 5% of the damage, but not less than the minimum sum and not more than the maximum sum stated in the Schedule and/or the specification for loss or damage out of every one event and separately for each site.**
- 3) Premises, which are immediately adjacent to one another on one continuous area, shall be regarded as one site.
- 4) In the event of a claim in respect of the aforementioned perils being filed



under this Policy and also under the Consequential Loss Policy of the Insured, then the sum of the deductible under both Policies together due to one insured event shall not exceed the maximum sum stated in the Schedule of this Policy.

7. Spoilage of stock

Despite the said in exclusions 1-i and 3 of the Policy Exclusions, it is hereby agreed that the Policy is extended to cover spoilage of food products in cold storage due to interruption in refrigeration, all the aforementioned under the condition that same were caused as a result of the insured event.

This cover is limited to \$50,000 any one occurrence and in the aggregate.

In order to obviate doubt, spoilage of food products emanating directly from an insured event is covered for the full sum of the stock insurance.

8. Reinstatement of the sum insured

It is hereby agreed that further to the contents of condition 9 of the Policy conditions and in consideration of additional pro-rata insurance premium, the insurance sum and/or the insurers limits of liability shall be restored to the previous limits after the occurrence of the loss or damage, as from the date of the actual reinstatement of the loss, save for limit of liability that is on first loss basis, for which the restoration shall be as from the date of the loss, except if the Insured should instruct otherwise. In this case condition 9 of policy conditions will apply.

The additional insurance premiums shall be calculated as from the date of restoration until the end of the insurance period

Despite the aforementioned, it is hereby agreed that if a total loss limit of the Insurer for specified perils was indicated in the Schedule, then this extension shall not be in force for those perils.

It is further noted and agreed that if it is explicitly noted in the Schedule, for a specific peril, that the cover is on first loss basis for an event and in total for the period of insurance, this extension will not be in force for this peril.

9. Assessment Clause

It is hereby agreed that if the sum of the loss or damage does not exceed 10% of the sum insured or \$100,000, the lower of the two, for the purpose of under-insurance condition, the Insurer shall be sufficed with the declaration by the Insured regarding the value of the insured property, which was not damaged.

10. Separate Insurance

It is hereby agreed that in the event of loss or damage to two or more of the insured



property items, the Insured shall be entitled to demand that a separate assessment be effected in respect of each item and that each one shall be related to separately as though insured in a separate Policy.

11. Personal effects

The Policy is extended to include personal effects of the Insured's workers and visitors being at the premises used by the Insured, against an insured event, **on condition that the insurer's liability in respect of the effects of one person shall not exceed a sum of \$1,000 and in the aggregate not exceeding \$250,000.**

12. Value Added Tax

It is hereby agreed that if the Insured is entitled to set-off Value Added Tax, then the amounts insured and the indemnity in respect thereof shall not include Value Added Tax. However if the Insured is not entitled to set-off Value Added Tax for any reason whatsoever in respect of all or part of the property, then the amounts insured and indemnity in respect thereof shall also include Value Added Tax.

13. Costs of removal of debris

The Policy is extended to cover demolition, cleaning, leveling, and removal costs after loss or damage due to an insured peril including loss or damage due to such activities, limited to the sum stated in the Schedule. **This sum is a "first loss" cover, which is not subject to under-insurance. In the absence of a sum, the insurers liability under this extension shall be limited to a sum of \$500,000 any one occurrence and in the aggregate.**

14. Special expenses after damage

The Policy is extended to include:

- 1) Necessary expenses for the purpose of guarding the insured property immediately after an insured event following which there is a need for special guarding of the damaged property or remains, that, but for the damage its existence would have been unnecessary.
- 2) The necessary expenses for the purpose of destroying property which was damaged by an insured event and which endangers the Insured's workers and/or the insured property, after and in consequence of the damage.
- 3) Additional reasonable expenses required for the purpose of repairing or replacing insured property as soon as possible due to a loss or damage covered by this Policy and without derogating from the generalities aforementioned, specifically including payment in respect of overtime, works on Sabbaths and holidays and also air freight.



- 4) Additional reasonable operating expenses required in order enable the continuous functioning of the insured business during the period required to execute the replacement or repair of property, which was damaged by a covered event.
- 5) Necessary expenses for the purpose of adapting the insured property, which was not damaged to property replacing the property, which was damaged.

Insurer's liability in respect of the sum total of expenses in terms of this extension shall not exceed 20% of the insurance compensation due to the Insured but for this extension or \$ 200,000, the lower of the two, any one occurrence and in the aggregate.

15. Costs of restoration of documents

The Policy is extended to include costs actually incurred for the restoration of various documents, manuscripts, plans, drawings, sketches, electronic data, magnetic tapes, disks, other information storage media, books of account and business books which were damaged due to a peril covered by the Policy.

The cover provided by this extension shall not exceed the sum indicated in the Schedule. **This sum is on "first loss" basis which is not subject to the condition of under-insurance. In the absence of a sum in the Schedule, the Insurers liability according to this extension shall be limited to \$100,000 on first loss basis, any one occurrence and in the aggregate.**

16. Expenses for architects fees and others

The Policy is extended to include expenses in respect of planning, measuring, supervision and supervision by architects, engineers, advisors and other experts and also expenses emanating from Municipal by-laws or other regulations, building codes, etc. for the purposes of reinstating a loss or damage due to an insured event limited up to the sum stated in the Schedule. **This sum is a "first loss" which is not subject to underinsurance conditions. In the absence of a sum in the Schedule, the insurers liability in terms of**

This extension shall be limited to a sum of \$ 250,000 or 20% of the insurance compensation, the lower of the two, any one occurrence and in the aggregate.

17. Reinstatement value clause

It is hereby declared and agreed that on the occurrence of a loss or damage to insured property covered by this Policy, the Insurer shall compensate the Insured in respect of the reinstatement cost or the replacement cost of property of the same kind, character and type. For the purpose of this paragraph the term "reinstatement" means: In partial loss - repair, in total loss - re-erection or replacement.



This on the condition that the insurers liability shall be limited to the cost of the reinstatement or replacement of property of the same type or kind as the property, which was lost or damaged and which is not superior to the property damaged when new. Notwithstanding the aforementioned, the Insurer shall indemnify the Insured in respect of expenses for vital alterations and additions required by the Authorized Authorities **(except those related to fire protections) in respect of the property which was damaged only and on condition that these requirements were not required by them prior to the insured event and provided that the extent of these alterations and additions shall not exceed 10% of the sum of the damage.**

It is agreed that the insured is entitled to reinstate the loss at another location, provided insurer's liability is not thereby increased.

All the above is subject to the following special provisions and to the Policy conditions, insofar as they have not been changed by this extension, and subject to the sums insured in the schedule:



Special Provisions

- A. The reinstatement and replacement work is to be commenced and carried out at reasonable dispatch, and in any event, it is to be completed within 24 months From the date of the insured event or within such additional period as the Insurer shall give permission to, within the reinstatement period. In case the Insured failing to comply with this provision, the Insurers shall not be liable for any sum exceeding the sum which would have been due, but for this extension.
- B. As long as the Insured has not borne the reinstatement or replacement costs of the property which was lost or damaged, the Insurer shall not be obliged for any payment exceeding the sum which would have been due but for this extension. It is agreed that the ordering of property or the ordering of work for the purpose of reinstatement or replacement of the property which was lost or damaged shall be regarded as an expense which the Insured bore for the purpose of this extension, on condition that the property ordered as aforementioned is to be pledged in favor of the Insurer until its actual reinstatement.
- C. The insurance compensation due to the Insured shall be calculated in policy currency by converting the sums, which were incurred to the Policy currency in accordance with the rate/rates applying on the date of the actual expenditure by the Insured as defined under extension 21 below. If the value of the actual reinstatement shall exceed the cost of the reinstatement on the date of the damage, the Insurers liability shall increase in accordance therewith up to of 10% of the reinstatement costs on the date of the damage and on condition that the insurance compensation shall not exceed the insurance sum/s specified in the schedule.
- D. It is agreed that if the property which was lost or damaged is not in current production, then the insurers liability shall be limited to the reinstatement or replacement cost of property in current production of as close a type to the property which was lost or damaged at the time of same being new and not being inferior thereto.
- E. If 90% of the replacement or the reinstatement, of the entire insured property covered under this extension, during the replacement or reinstatement period, exceeds the sum insured at the time of the insured event then the Insured shall be regarded as his own insurer in respect of the difference between the sum insured and 90% of the sum of the reinstatement or replacement as aforementioned and in accordance therewith, the Insured shall bear the pro-rate share of the loss or damage.



- F. This extension shall not be valid in respect of:
- a. Machinery or equipment, which was no longer in current use prior to the occurrence of the insured event.
 - b. Property in respect of which the Insured failed to notify within 6 months of the occurrence of the insured event, (or within such additional period as the Insurer shall permit) of its intention to base his claim as specified in this extension.
 - c. Property, which the Insured does not wish or is unable to replace or to reinstate.
 - d. Personal property of the insured's employees and the Insured's visitors.
- G. In order to obviate doubt, it is clarified that insured property which was not directly damaged due to a covered peril, but in respect of which a demolition order was issued or use thereof has been prohibited by the authorized

Authorities following damage to the premises of the Insured or in its immediate vicinity by a covered peril, shall be regarded as property which was directly damaged from a covered peril.

18. Lessee's liability

In every event of loss or damage by the insured perils to buildings which the Insured leases and that are included in the Insured property, the following provisions shall apply:

1. Should the Insured choose to reinstate or to replace the loss or damage, the provisions of the above reinstatement value clause, extension shall apply.
2. If the Insured is unable, or not entitled or is not interested in repairing or replacing the loss or damage aforementioned, then the cover provided shall be as follows:
 - a) The Insurer shall indemnify the Insured in the amount the Insured shall be legally obliged to pay to the owners of property due to the loss or damage.
 - b) The Insurer shall indemnify the Insured in respect of loss of protected rights (as shall be estimated by a land assessor) to hold and to operate his business in the premises when the insured event occurred (wholly or partially) as a result of an insured event.

The indemnity sum in terms of this extension shall not exceed the total reinstatement value of the property, which was lost or damaged.

19. Tenants improvements

It is hereby declared and agreed that the insurance in terms of this Policy covers loss or damage as a result of the insured perils in respect of investment in improvements, changes and installations of every type whatsoever which were executed by the Insured in the buildings maintained by him under lease whether the building itself is



insured under this Policy or not on condition that the sum insured includes these investments.

20. Increase in sums insured

Notifications of the increase of the insurance sums up to 10% of the insurance sum or up to a total of \$2,000,000, the lesser of the two shall be binding within 24 hours from the time of the receipt of the notification by the authorized signatory of the Insurer. Increases beyond the aforementioned sum, which have not yet been confirmed by the Insurer, shall not be taken into account for the purpose of calculation of under-insurance in terms of condition 1 of the Policy special conditions (under-insurance).

21. Currency conversion clause

Whereas the Policy currency is stated in foreign currency, it is agreed and expressly stipulated as follows:

- A. On the occurrence of loss or damage insured by this Policy, the insurance compensation due shall be calculated in the Policy currency by converting the sums which were expended in the Policy currency in accordance with the rate/rates applying at the time of the actual disbursement by the Insured.
- B. Payment of insurance compensation due will be effected in the Policy currency. If at the time of the payment of insurance compensation there should be any limitation preventing such aforementioned payment, then the insurance compensation shall be paid in shekels in accordance with the rate at the time of the actual payment by the Insurer.
- C. "Rate" for the purpose of this Policy shall mean the representative rate of the Policy currency published by the Bank of Israel.

22. Lien Clause (this clause shall only be valid if same was specifically noted in the Schedule)

A. Every payment if due in terms of the Policy shall be paid to the banks/institutions stated in the Schedule according to the level of beneficial right which they have over the insured property and/or in accordance with the sums stated in the Schedule and in accordance with all the conditions of the Policy.

Notwithstanding the aforementioned and if not otherwise stated in the Schedule, payments which do not exceed a sum of \$ 100,000 shall be paid directly to the Insured or at his order.

B. Notwithstanding anything stated in the Policy and/or in any endorsement to



the Policy regarding cancellation of the insurance due to non-payment of premium or a part thereof or regarding right of cancellation of the Policy by the Insurer by virtue of the Policy conditions, the cancellation of insurance shall not be valid except from the date and time stated in the notice which shall be delivered in writing to the banks/institutions having a benefit right in the Policy, at least 30 days prior to the date of the cancellation.

- C. The Insured's undertaking to pay insurance premiums shall be a pre-condition to the Insurer's undertaking to pay in respect of claims and any lien and/or other debt and the Insurer reserves the right to deduct the Insured's debts owing to it from any sum which is payable in respect of an insured loss or damage.

23. Property of Public Authorities

The definition of the insured property includes property of Public Authorities such as Bezeq, Electric Company and Municipality which are situated in the Insured premises and intended for his use and for which the Insured is liable in the event of loss or damage by the insured perils in terms of the Policy.

24. Cooling gas

The Policy is extended to cover loss or damage of cooling gas and/or other operational material as a result of an insured event covered under the Policy and its extensions.

Insurer's liability under this extension is limited to \$ 25,000, any one occurrence and in the aggregate on first loss basis which is not subject to under-insurance.

25. Preventative expenses

The Policy covers expenses which the insured incurred to prevent loss or damage by an insured peril even if no actual loss or damage to the insured property itself was caused and this on condition that such costs were vital for the preservation of the wholeness of the insured property same being subject to immediate and actual risk.

26. Choice/Optional clauses

The sums detailed in extensions; 13 (removal of debris); 14 (special expenses after damage); 15 (restoration of documents); 16 (architects fees); 23 (property of public Authorities); 24 (cooling gas) above the insurance sums above shall be taken into account (for the purpose of determining under-insurance) only if the Insured claim in terms thereof.



SPECIAL CONDITIONS:

1. **Under-insurance**

If, at the time of occurrence of loss or damage to the Insured Property, the sum insured be less than 90% of the value of the insured property, the Insurers liability shall be reduced by a pro-rata rate being the ratio between the sum insured and 90% of the value of the property at the time of the occurrence of the loss or damage. Each and every item in the Schedule is subject to this condition separately.

This condition is not in force in respect of paragraphs for which it was explicitly stated that they are on first loss basis.

2. **Advance payment and benefits, which are not in dispute**

- a. On the occurrence of damage to the insured property in terms of this Policy as a result of one of the insured perils, the Insured shall be entitled to receive an advance payment or a monetary undertaking from the Insurer which shall enable him to receive services for the repair of the damages and this on account of the monies due to him from the Insurer in accordance with the conditions of this Policy. Such advance payment shall be deducted from the final sum of insurance compensation which shall be paid to the Insured with the calculation of the value of the advance payment deductible from the final insurance compensation being made on the basis of the value of the dollar or if the Policy is in shekels, its index linked value on the date of payment of the final insurance compensation.
- b. Without derogating from the generalities aforementioned, the Insurer undertakes to pay to the Insured within 15 days from the date of the adjuster's preliminary estimate of the insurance benefits (a copy of which will be submitted to the insured), an advance payment at the rate of 30% of the adjusters preliminary estimate of such benefits. In addition, the Insurer undertakes to compliment the aforementioned advance payment within 45 days from the date of the adjuster's preliminary estimate to a sum equivalent to 50% of the said estimate. The sum total of advance payments aforementioned shall not exceed \$1,000,000.
- c. Insurance compensation, which is not in dispute, shall be paid within 30 days from the date on which a claim in writing for payment of insurance compensation has been delivered to the Insurer and same shall be claimed separately from the rest of the compensation.

3. **Insurer's rights to salvage**

- a. On the occurrence of loss or damage to property whatsoever insured by this Policy, the Insurer shall be entitled:
 1. To enter the building or premises where the loss or damage occurred.
 2. To take possession of the property of the Insured in respect of which the Insured is claiming insurance compensation.
 3. To retain possession of such property, to examine same, sort, arrange, transfer or attend to in any other manner for any reasonable purpose in a reasonable manner whatsoever.



4. To sell salvage to a third party following loss or damage aforementioned and this only after the first right was granted to the Insured to purchase same at the third party price.
-
- b. If the Insured or any other person acting in his name failed to comply with the Insurer's requirements or breaches or prevents the Insurer from using its rights hereby provided the insurer's liability shall be reduced.
 - c. The Insured shall not be entitled in any way whatsoever to abandon any property whatsoever in favor of the Insurer whether the Insurer already received same into its possession or not. It is hereby conditional that the Insurer's utilization of its rights in terms of this condition shall not adversely affect the Insured's management of his business or his goodwill.



SECTION 2 - BUSINESS INTERRUPTION

This section is in force only if specifically noted in the schedule.

INSURED EVENT

Interruption or interference of the Insured's business due to unforeseen physical loss or damage to the property, insured under Section 1 of the policy.

Cover under Section 1 is a precondition to the insured's right to be indemnified under section 2.

Provided that the loss or damage is not specifically excluded by this section's exclusions.

EXCLUSIONS TO INSURER'S LIABILITY

This section shall not cover any loss:

- A. As a result of an event excluded by the electricity paragraph as defined in section 1 of the policy, even if the property policy was extended to cover such an event.**
- B. Due to loss of goods in transit.**
- C. Due to loss to property under construction.**
- D. Due to the extension of the interference with the insured business, caused by restrictions and/or requirements of any kind imposed by any public and government authority.**
- E. Any other loss or damage excluded under section 1 of the Policy.**
- F. Changes, improvements or renovations which were carried out during reinstatement or replacement of the insured property which had been damaged.**



EXTENT OF THE COVER

1. Loss of gross profit

The Insurance benefits will be calculated as hereunder:

Loss of gross profit and increase in cost of working less savings in standing charges, as per definitions hereunder:

A. Loss of gross profit:

The sum produced by applying the rate of gross profit to the shortage in turnover, in consequence of the insured event during the indemnity period.

B. Increase in cost of working

The sum of the additional necessary and reasonable expenses incurred solely for the purpose of avoiding or reducing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the insured event.

Under the specific condition that the sum, which shall be paid in terms of this paragraph, in respect of each and every aforementioned expenditure, shall not exceed the sum arrived at by multiplying the rate of the gross profit by that portion of the turnover the loss of which was prevented by that additional expense.

Should not all the standing charges be insured, the sum arrived at under this item will be reduced by the proportion between the insured gross profit to the total gross profit (all standing charges with the addition of net profit or the deduction of net loss, as the case may be).

C. Savings in standing charges

Any sum which was saved during the indemnity period in respect of those expenses and costs of the business which are paid out of gross profits which were reduced or interrupted due to the insured event.

D. Under Insurance:

Should at the time of the event the sum insured be less than the gross profit



earned during 12 months from the date of event but for the loss, (hereunder the would have been turnover) the indemnity will be reduced by the proportion between the sum insured and the "would have been turnover".

Should the indemnity period specified in the schedule be longer than 12 months, the indemnity will be reduced by the proportion between the sum insured and the result of multiplying the "would have been turnover" by the number of months of the indemnity period divided by 12.

2. **Loss of wages on dual basis, if separately covered in the schedule.**

The insurance benefits will be calculated as hereunder:

A. **Loss of wages:**

1. **Full Indemnity period-**

The sum produced by applying the rate of wages to the shortage in turnover, in consequence of the insured event during that part of the indemnity period commencing with the insured event and ending not later than the number of weeks stated in the schedule for which 100% cover was given for the date of event, less every saving in wages due to the event during the same period.

2. **Partial indemnity period-**

The sum produced by applying the rate of wages to the shortage in turnover during the remainder of the indemnity period and multiplying by the percentage the wages covered for this period, less every savings in wages during the same period.

Should the loss of wages during this partial indemnity period exceed the sum arrived at as above, the sum deducted as saving under 1) above will be added to the insurance benefits, but in no case will the total indemnity for this period exceed the total loss of wages during this period less savings.

3. **Extended indemnity period-**

If an extended indemnity period is explicitly stated in the schedule, it is agreed that the insured at his option is entitled to extend the period for which he will receive full indemnity according to the definition under 1) above for the number of weeks of the extended period shown in the schedule. This instead of the indemnity provided under 1) and 2) above. The indemnity will be established as per 1) above, however for the extended period.

In addition the insured is entitled to indemnity for loss of wages as per 1) above for the remainder of the indemnity period but not more than the sum deducted as saving in wages for the extended period.



B. In respect of increase in cost of working.

1. The sum of the additional necessary and reasonable expenses incurred solely for the purpose of avoiding or reducing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the insured event.

Under the condition that the above sum, shall not exceed the sum saved as indemnity under loss of wages, should the sum not have been incurred.

2. **Under Insurance:**

Should at the time of the event the sum insured be less than the wages which would have been during 12 months from the date of event but for the loss, (hereunder the would have been wages) the indemnity will be reduced by the proportion between the sum insured and the "would have been wages".

Should the indemnity period specified in the schedule be longer than 12 months, the indemnity will be reduced by the proportion between the sum insured and the result of multiplying the "would have been wages" by the number of months of the indemnity period divided by 12.

DEFINITIONS

Gross Profit

The sum arrived at from the entire turnover of the Insured business plus the closing stock, less the sum of the uninsured working expenses detailed in the Schedule plus the opening stock.

Wages

The total of all the remunerations payable (including social benefits) to all the salaried employees of the Insured other than for workers whose salary is included in the management and general expenses.

Costs for Preparation of Claim

The necessary expenses in respect of accountant's fees, experts and other consultants' fees, preparing and presenting the required data for the filing of a claim under this Policy and also under the property Insurance Policy of the Insured.

Turnover

Monies paid or payable to the insured in respect of goods sold or supplied and in respect of services rendered in the course of the Insured business.

Indemnity Period

The period commencing with the date of occurrence of the insured event and ending not later than the maximum indemnity period stated in the schedule as being the indemnity period during which period of time the results of the business shall be affected as a result of the loss, damage or destruction.

Reduction in Turnover

The sum by which the actual turnover during the indemnity period shall fall short of the standard turnover.



Rate of Gross Profit:

The rate of gross profit earned on the turnover during the financial year immediately before the date of the insured event.

Rate of Wages:

The rate of wages in relation to the turnover during the financial year immediately before the date of the insured event.

Annual Turnover:

The turnover during the twelve months immediately before the date of the insured event.

Standard Turnover:

The turnover during the period corresponding with the indemnity period in the twelve months immediately before the date of the insured event.

To which such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or other circumstances affecting the business either before or after the insured event or which would have affected the business had the insured event not occurred, so that figures 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.



Memo 1

If during the indemnity period goods are sold or services are rendered elsewhere for the benefit of the business either by the insured or on his behalf, the sums paid or payable for sale of such goods or services shall be taken into account for the purpose of determining the turnover during the indemnity period.

Memo 2

If any expense which is covered under the terms of this section 2 was paid to the Insured under section 1, the Insurer shall not pay for that expense under this section 2 except for any difference if same should exist between what was paid under section 1 and what is due in terms of this section 2 (but not if this difference is due under insurance under section 1), subject to the terms and limitations of the policy.



PREMIUM ADJUSTMENT

It is hereby agreed that the premium stated in the Schedule is deposit and subject to adjustment at the termination of the insurance period. Within 90 days from the date of the termination of the insurance, the Insured shall provide the Insurer a certificate from the Insured's Chartered Accountant in which the sums gross profit and the wages shall be detailed (according to the Policy definitions) which were earned or spent during the insurance period and in accordance therewith, the premium adjustment shall be affected (by multiplying the indemnity period if same exceeds 12 months) of the premium due subject to a minimum premium at a rate of 60% of the provisional premium.

In any event the adjustment will be limited to maximum amounts that are the sums insured for each item.

EXTENSIONS

In order to obviate doubt, it is hereby clarified that:

- a. Nothing in the Extensions detailed hereunder (except for Extension 7 "additional sum insured clause" and Extension 17 "expenses for preparation of claim") except if otherwise noted in the Schedule shall indemnify the Insured beyond the insurance sums noted in the Schedule.
- b. Any extension of the following extensions is subject to all the Policy conditions and its exclusions but for the specific alterations contained in it.

1. **Accountants Clause**

It is agreed that every certificate regarding data out of the business book keeping which is required by the Insurer in terms of the Policy conditions and which shall be provided by the Chartered Accountant of the Insured shall be used as prima facie evidence for the purpose as to the accuracy of the data, which was certified.

2. **Loss Settlement**

It is agreed that on termination of the first month of the indemnity period and every month thereafter, the Insurer undertakes to pay to the Insured an on account payment towards his claim at a rate of 75% of the sum of the monthly estimated indemnity as shall be assessed by the adjuster dealing with the loss.

In any event of a dispute between the Insured and the Insurer regarding the quantum of payment due under the terms of this section, the Insurer undertakes to pay the sum which is not in dispute without adversely affecting either the Insured's rights or the rights of the Insurer.

3. **Departmental Clause**

If the business of the Insured is conducted in separate departments the results of



which are independent and can be clearly isolated, the Insured shall be entitled to require calculation of separate gross profit and wages rates for each department, which was effected by the insured event. The aforementioned does not derogate the under insurance clause of this Policy.

4. **Currency conversion and indemnity calculation**

Whereas the Insured's books of account are managed in shekels and whereas the insurance sums of this Policy are stated in United States Dollars, it is hereby agreed that the calculation of the indemnity due to the Insured and the calculation of the gross profit and wages for the purposes of adjusting the premium as defined in the "premium adjustment" paragraph above, shall be effected in United States dollars in accordance with the representative rate at the Bank of Israel applicable to the 15th day of each month during the indemnity period. Should it be impossible to determine the claims data on a monthly basis, then the indemnity shall be calculated according to the average representative rate at the Bank of Israel during the indemnity period. All the aforementioned shall be made in order to reflect the real value of the indemnity due to the Insured in US dollars.

Furthermore, it is hereby declared and agreed that payment of the premium by the Insured and payment of the indemnity by the Insurer shall be effected in United States dollars or in shekels.

In the event of payments in shekels, every payment shall be effected in accordance with the representative rate of the United States dollar at the Bank of Israel at the time of each payment.

5. **Interruption of public services**

It is hereby declared and agreed that this section is extended to cover an interruption or interference during the course of the Insured's business due to unplanned stoppage of the public electrical supply, telecommunication, gas or water supply to the insured business caused by an insured event.

Insurer's liability under this extension is limited to 10% of the sum insured, or \$1,000,000, the lower of the two.

6. **Prevention of access**

A. It is agreed that this section is extended to cover an interruption or interference in the course of the Insured's business which shall be caused as a result of damage by the insured event of this Policy to property neighboring to the Insured's premises and as a result of which access or the ability to use the insured property in full or in part, has been prevented.

The insurer's liability in accordance with this sub item 6.A is limited to 20% of the sum insured or \$1,000,000 the lesser of the two.

B. It is hereby agreed and declared that the insurance by this section is extended to cover loss as insured hereunder directly resulting from interruption of or



interference with the business carried on by the insured at the premises in consequence of:

1. a) Infectious or contagious disease manifested by person whilst at the premises;
b) Murder or suicide occurring at the premises;

 - c) Injury or illness sustained by any guest arising from or traceable to foreign or injurious matter in food or drink provided on the premises;
 - d) Closing of the whole or part of the premises by order of a competent public authority consequent upon defects in the drains and other sanitary arrangements at the premises.
2. The cancellation of bookings for accommodation at the premises in consequence of an outbreak within 500 meters of the premises of a notifiable human infectious or contagious disease.
 3. The cancellation of bookings for accommodation at the premises in consequence of a notifiable human infectious or contagious disease,

Such loss for the purpose of this policy being deemed to be loss resulting from damage.

Provided always that the insurer's liability under this sub item 6.B shall be limited to \$500,000 in the aggregate.

7. **Additional sum insured**

The cover under this section is extended to cover additional sums up to 20% of the sums insured of each and every item in the schedule solely for unexpected increases in the sums of gross profit and/or wages **but not more than US\$ 2,000,000 for all policy items together, the lesser of the two.**

It is hereby declared and agreed that the Insured shall notify of such increase as soon as possible and in any event not later than 60 days from the date the insured could have known of such increase and shall pay the additional premium as per the endorsement, which shall be issued.

8. **Property, which is not owned by the insured**

It is hereby declared and agreed that for the purpose of this section, the definition of insured property in the property section noted in the Schedule shall also be regarded to include leased premises or hired premises and equipment which do not belong to



the Insured, but is being used by him at the premises, notwithstanding that they are not covered and are not included in the sum insured of the property section.

This on the condition that the said property is insured on the date of the insured event by another valid Policy which covers the property damage on reinstatement value basis.

9. **Deductible in the Property section**

This cover by this section shall not be affected due to the loss or damage covered under the property section being less than the deductible stated therein.

10. **Mutual services**

If, at the time of the occurrence of an insured event, the Insured is a party to any limiting agreement whatsoever regarding the provision of mutual services between parties to the agreement, then the Insured shall not be required to breach such an agreement by actions which are taken in order to prevent a reduction in the turnover.

11. **Equipment improvement clause**

If after damage, the adjuster and the Insurer instruct in writing the purchase of improved or better equipment than the equipment which was damaged which shall increase the output or the profitability of the insured business, in order to minimize the damage covered under this section, then the difference in the cost which is not covered according to the property section of the Insured, shall be covered under this section.

12. **Adjustment of specified working expenses**

It is hereby clarified that subject to the contents of the underinsurance paragraph of the "specified working expenses", the policy conditions in the Schedule are not within the framework of "a closed list" and those adjustments required in accordance with the trend of development of the business but for the occurrence of the insured event shall also be affected.

To obviate any doubt, this extension is not valid if in the schedule the specified working expenses are not listed and also in case there were no changes in the standing charges of the business since inception of the policy.

13. **Variable expenses**

It is hereby declared and agreed that this section is extended to cover costs which were defined as variable and not included in the gross profit, if after the occurrence of the insured event, same did not decrease proportionately to the reduction in the turnover.

The cover in respect of this extension shall be limited to 10% of the insured gross profit or US\$ 1,000,000, the lesser of the two and this sum is on the basis of "first



loss" which is not subject to the under insurance.

14. **Compensation in respect of breach of contract**

This section is extended to cover fines and compensation which the Insured shall be obliged to pay in terms of an agreement, undertaking or contract in respect of non execution or delayed execution of the contractual undertaking as a direct and sole result of an insured event which is covered under the property Policy specified in the Schedule and this **up to a sum of US\$50,000 on a "first loss" basis which is not subject to under insurance.**



15. **Book debts**

Only if it is stated in the Schedule, this section shall be extended to cover loss to the Insured in respect of the balance of open (book) debts, which cannot be proven due to physical damage to the data media in which they were stored as a result of an insured event.

The sum payable in respect of such loss shall not exceed a sum obtained from the balance of the open debts on the date of the damage less receipts obtained or located in respect of those debts and in addition of necessary expenses which were expended to locate and identify the debts and the debtors after the damage.

All the aforementioned, up to a sum noted in the Schedule and on first loss basis which, is not subject to an under insurance.

In the calculation of the insurance benefit, lost debts and/or questionable debts which were accumulated in the course of the ordinary business of the Insured and also unusual conditions which influenced or which could have influenced the course of the regular business, but for the occurrence of the damage shall not be taken into account.

16. **Various additional expenses**

This section is extended to cover additional various expenses which were expended by the Insured during the indemnity period and which do not fall under the increase in cost of working covered defined in the Policy, however which were necessary to restore the state of the business to its previous condition after the occurrence of the insured event. **Insurers liability under this extension shall not exceed 10% of the gross profit or US\$ 250,000, the lower of the two.**

17. **Expenses for preparation of a claim**

Only if it was noted in the Schedule and in consideration of additional premium, the Policy shall be extended to cover expenses required and actually paid for the purposes of calculating the damage and for the preparation of a claim in respect of a loss covered under the Policy up to the amount noted in the Schedule. This cover is on first loss basis which is not subject to an underinsurance calculation.

18. **Reinstatement of the sum insured**

It is hereby agreed that further to the said in condition 9 of the "Policy conditions" and in consideration of additional pro-rata premium, the insurance sum and/or the insurers limits of liability shall be reinstated after the occurrence of the insured event, unless the Insured instructs otherwise.

SPECIAL CONDITION:

For the purpose of business interruption loss resulting from natural hazards, the extent of the cover, the conditions, definitions, and deductible as specified in the insured's property



section shall apply.

In accordance with this the deductible of the insured in respect to both sections shall not exceed together, the maximum deductible stated in this policy.

POLICY CONDITIONS - APPLICABLE TO
SECTIONS 1 AND 2

This Policy, the Schedule, specification and every other document annexed thereto shall be read as one contract and each word or expression receiving any meaning in any part of the Policy or of the Schedule or the specification - shall have the same special meaning wherever same shall appear.

1. Application of the law

The provisions of the Insurance Contract Law - 1981 shall apply to everything connected to this Policy insofar as same may apply and as the case may be, except if otherwise stipulated in favor of the Insured in this Policy.

2. Measures to reduce the risk

The Insured shall take reasonable measures to reduce the risk insured in terms of the Policy as shall be agreed from time to time in writing during the insurance period within the time which shall be determined therefore by notification of the Insured or as shall be detailed by other provision whatsoever in the Policy, as the case may be.

3. Double insurance

If property **insured herein** has been insured against one risk with **another** Insurer for an overlapping period, the Insured shall notify the Insurer thereof in writing within a reasonable time of such double insurance having been affected or after his having learnt thereof.

In case of double insurance, both insurers are liable toward the Insured jointly and severally with respect to the overlapping insured amount.

4. Extension of the insurance

Any extension of the insurance period in terms of the Policy requires the written consent of the Insurer **and the Insured**, which shall be given specifically for this purpose.

5. Payment of insurance premiums and other fees

a. Insurance premiums and other fees due by the Insured to the Insurer in connection with the Policy shall be paid at those times which were agreed upon.



- b. If the premium was not paid at the time/times agreed upon, the arrears sum shall also bear interest in respect of the arrears period according to the Insurer's customary rate at that time.

- c. If any arrears sum whatsoever was not paid as aforementioned within 15 days after the Insurer having demanded in writing that the Insured pay same, the Insurer shall be entitled to notify the Insured in writing that if the arrears sum is not settled prior thereto, the insurance will be cancelled after 21 additional days have elapsed and if a beneficiary who is not the Insured has been determined and such determination was irrevocable, the Insurer shall be entitled to cancel the insurance if it notifies the beneficiary in writing of the aforementioned arrears and the beneficiary failed to settle the arrears sum within 15 days from the date on which the aforementioned notification was delivered to him.

- d. Nothing in the cancellation of the insurance in terms of this condition shall derogate from the Insured's duty to settle the arrears sum relating to the period until the aforementioned cancellation.

6. Right of set-off

On the occurrence of an insured event, the Insurer shall be entitled to set-off from the insurance compensation due to the Insured any sum which the Insured owes the Insurer whether his debt relates to this Policy or otherwise. In the event of total damage to the insured property covered in terms of this Policy, the Insurer shall be entitled to set-off the balance of the insurance premiums due to it even if the time for such payment has not yet arrived.

7. Cancellation of insurance

- a. Without derogating from the Insurer's legal right or according to any other provision whatsoever in this Policy, the Insurer at its discretion shall be entitled to cancel the insurance at any time whatsoever prior to the termination of the insurance period and provided that a notification to that effect shall be sent to the Insured in writing by registered mail at least 60 days prior to the date on which the insurance is to be cancelled and in such event the insured shall be entitled to a refund of insurance premium which he paid to the Insurer in respect of the period after the cancellation of the insurance.

- b. The Insured at his discretion shall be entitled to cancel the insurance at any time whatsoever prior to the termination of the insurance period provided that a



notification to that effect shall be sent to the Insurer by registered mail at least 21 days prior to the date on which the insurance is to be cancelled. In such an event the Insurer shall retain for itself the insurance premium customarily charged, for short period in respect of the time during which the insurance was valid.

- c. If the Insurer should cancel the contract prior to the determination of the agreed insurance period and the cause for the cancellation is not that the Insured breached the contract or tried to defraud the Insurer, the Insurer shall pay to the Insured the sum which a reasonable Insurer would have demanded from a similar Insured for the same type of insurance on the date of the cancellation, pro-rata to the remaining period until the termination of the agreed insurance period.

8. Claim for insurance compensation

- a. On the occurrence of an insured event, the Insured shall notify the Insurer thereof within a reasonable time of his learning thereof and the beneficiary shall notify the Insurer with a reasonable time of his learning thereof of the occurrence of an insured event and of his rights to insurance compensation.
- b. Every claim for payment of insurance compensation in terms of the Policy shall be presented in writing on a claim form, which shall be provided by the Insurer to the Insured at his request.
- c. Within a reasonable time of having been required to do so, the Insured or the beneficiary, as the case may be, shall provide the Insurer all the information and documents required to clarify the liability and extent and if same are not in his possession, he shall assist the Insurer, insofar as he can, to obtain same.
- d. After the occurrence of an insured event, the Insured shall take reasonable measures in order to reduce the extent of the damage. If the Insured failed to take such reasonable measures, the Insurer shall be entitled to reduce the extent of its liability according to the provisions of the law.

9. Reduction of the insured amounts after the damage

After the occurrence of a loss or damage, the sums insured shall be reduced and/or the Insurer's limits of liability shall be reduced by the level of the insurance compensation (prior to the deduction in respect of the deductible) due to the Insured in respect of the loss or damage.

10. Deductible

The Insured shall bear the first sum of the insurance compensation payable appearing in paragraph "f" (Natural Damages) in the "Extensions" Chapter and in respect of other risks as appear in the Specification or Schedule as a result of a loss or damage



covered in terms of the Policy.

11. The Insurers' Right to Salvage

- A. On the occurrence of any loss or damage which is insured under this policy, the Insurer shall be entitled:
1. To enter the building or the premises in which the loss or damage occurred.
 2. To receive the property of the Insured in respect of which the Insured is claiming insurance benefits.
 3. To retain in its possession, any such property, to examine, sort, measure, transfer it or to handle it in any other way, for any reasonable reason and in any reasonable manner.
 4. To sell the salvage to Third Party following such loss or damage and only after the insured has received first refusal to purchase at the Third Party's price.
- B. If the Insured or any other person acting in his name, fails to comply with the Insurers' requirements or interferes or prevents the Insurer from acting in accordance with the authority bestowed to it, the Insurer's liability shall be decreased.
- C. The Insured shall not be entitled to abandon any property whatsoever to the benefit of the Insurer, whether the Insurer has already received it to its possession or not. It is hereby stipulated that Insurer implementing its rights under this provision shall not adversely affect the conduct of the Insureds' business or his reputation.

12. Subrogation

- a. If due to an insured event the Insured also has a right of compensation or indemnification against a third party not by virtue of an insurance contract, such right transfers to the Insurer, which paid compensation to the beneficiary at the rate of the compensation, which the insurer paid.
- b. The Insurer shall not be entitled to use a right which was transferred to it according to this paragraph in a manner which shall adversely affect the Insured's right to collect compensation or indemnification from a third party in excess of the compensation which he received from the Insurer.
- c. If the Insured received compensation or indemnification from a third party, which was due to the Insurer in accordance with this paragraph, he shall transfer same to the Insurer. If he compromised, waived or acted in any other way, which adversely affect the right, which was transferred to the Insurer; he shall compensate the insurer in respect thereof.
- d. The Insurer waives its rights of subrogation which may arise against any one of the Insured, any employee of the Insured, the Board of Directors, shareholders



of the Insured and also family members and also against any person or legal body against whom the Insured waived a right of claim or undertook to indemnify in writing prior to the damage. The aforementioned shall not apply against any person or body, which caused the insured event out of malicious intent.

In addition, without adversely affecting the Insurer's rights of subrogation, it is agreed that the Insured's right to receive indemnification in terms of this Policy shall not be adversely affected due to the Insured having waived a right of claim against any person and/or body whatsoever or undertook in writing to indemnify who, but for such waiver or undertaking, the Insurer would have had a right of subrogation against such person or body.

13. Headings

The headings appearing in the chapters "additional insured perils" and in the "extensions" are only used for the purposes of convenience and for reference and it are not in any way to be regarded as influencing the contents written in the sections and paragraphs themselves.



14. Prescription period

The prescription period of a claim for insurance compensation is 3 years from the date of the occurrence of the insured event.

15. Changes in a substantive matter

- a. During the insurance period the Insured shall notify in writing of any change in a substantive matter within a reasonable time from his learning thereof. If the Insured failed to disclose such change to the Insurer the Insurer shall be entitled to cancel the Policy or to reduce the extent of its liability in terms of the provisions of law.
- b. A substantive matter is a matter on which a question was posed in the insurance proposal or in any alternative document.
- c. If the Insured is an Association or corporation, knowledge by the Insured for the purpose of this condition and for any other matter for the purposes of such action shall be regarded after same has been brought to the attention of one of the authorized managers of the Association or corporation or to the person in charge of insurance matters in the association or corporation.

16. A beneficiary who is not the Insured

- a. The Insured in terms of this Policy shall not be entitled to determine a beneficiary in his place except if the Insurer provided its written consent thereto in advance.
- b. If a beneficiary has been determined in the Policy who is not the Insured and the compensation due to him has been agreed upon between the Insurer and the Insured, such determination shall also oblige the beneficiary.

17. Notices

A notice by the Insurer to the Insured or to the beneficiary in regard to anything connected with the Policy shall be sent to the last known address known to the Insurer.

A notice by the Insured or by the beneficiary to the Insurer shall be provided to the Insurer at its office address or, to any other address in Israel to which the Insurer advised the Insured and the beneficiary in writing (if at all) from time to time.