

AIG Israel Insurance Company Ltd

Interim Financial Report

(Unaudited)

As of March 31, 2022

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Directors' report
AIG Israel Insurance Company Ltd ("the Company")
for the period ended March 31, 2022

The directors' report on the business of the Company as of March 31, 2022 ("**the directors' report**"), reviews the Company and developments in its business in the first quarter of 2022 ("**the reported period**"). The information in this report is as of March 31, 2022 ("**the date of report**") unless otherwise is indicated explicitly.

The Company is an "insurer" as this term is defined in the Supervision of Financial Services Law (Insurance), 1981. Therefore, this report is prepared in accordance with the provisions of the Reports to the Public chapter of the Regulation Codex published by the Commissioner of the Capital Markets, Insurance and Savings Authority in the Israel Ministry of Finance ("**the Commissioner of Insurance**", "**the Commissioner**" and "**the Authority**", respectively). This directors' report was prepared assuming that the user is also holding the Company's 2021 periodic report.

The financial information in this report is in reported amounts. All financial information is in thousand NIS unless otherwise is indicated.

The business of the Company is in fields that require considerable professional knowhow that involves many professional terms that are essential for understanding the business of the Company. To present a description of the corporation that is as clear as possible, those professional terms are used along with an explanation, to the extent possible.

This directors' report is an integral part of the interim financial statements, including all its parts and should be read as one unit.

Forward looking information

This chapter in the periodic report, describing the Company, the development of its business and its fields of operations may contain forward-looking information, as this term is defined in the Israel Securities Law, 1968 ("the Securities Law"). Forward looking information is uncertain information about the future, based on the information available to the Company on report date and includes the subjective assessment of management based on assumptions and estimates of the Company and/or its intentions as of the date of this report. Providing such information is not a commitment for accuracy or completeness, and actual activity and/or results of the Company may be different than those presented in the forward-looking information presented in this report. It is possible in certain cases to detect passages that contain forward looking information by the use of words such as: "the Company assesses", "the Company believes", "it is the intention of the Company", etc., but it is possible to see such information presented using other language or it may be specifically indicated that as a forward-looking information.



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1. Condensed description of the Company:

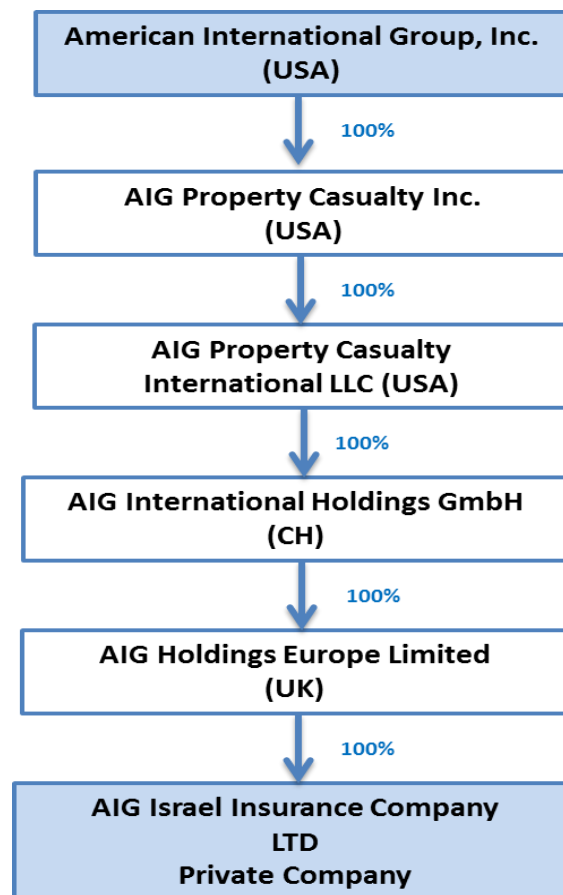
1.1 Organizational structure

AIG Israel Insurance Company Ltd ("**the Company**") was incorporated in Israel on March 27, 1996, as a private limited liability company. The Company began its insurance activity in May 1997. The company does not hold any subsidiaries or related companies. The Company has no activity outside of Israel through branches and associates.

The ultimate parent of the Company is American International Group Inc. (hereinafter: "**the global AIG corporation**", "**AIG**"). The global AIG Corporation is a leading global insurance and financial services corporation, rated BBB+ according to Standard & Poor's (S&P).

The sole shareholder of the Company is AIG Holdings Europe Limited ("**AHEL**"), which holds the entire issued share capital of the Company and which is a company in the global AIG corporation.

The following is the undated holding structure of the Company:





The Company was granted licenses by the Commissioner to practice as an insurer in general insurance and life insurance as follows: motor vehicle insurance, compulsory motor vehicle insurance, comprehensive home insurance, health insurance (personal injury, serious illness, and travel insurance), commercial insurance (property loss, business comprehensive insurance, engineering insurance, employers' liability insurance, third-party liability insurance and product liability insurance), cargo in transit insurance, other risk insurance (limited to crime and fraud damages), comprehensive life insurance, and foreign business insurance for different insurance types.

The Company is operating in three business divisions (vehicle and home insurance, life and health insurance and commercial insurance), headquarters, and private customers division.

The Company is marketing and selling retail insurance policies directly to customers (without insurance agents) through call centers and digitally. Customers are being serviced mainly through a central service call center. Most business of the Company in commercial insurance, and some of the retail insurance business, is done through mediation of insurance agents. As a result of the above marketing methods, the organizational structure of the Company is based on activity through a head office in Petach Tikva.

1.2 Areas of activity

The Company mostly provides coverage to individual customers. The main business areas of the Company are as follows:

- General insurance: property vehicle insurance
- General insurance: compulsory vehicle insurance
- General insurance: home insurance
- General insurance: commercial insurance
- Health insurance: health insurance
- Life insurance: Life insurance, risk only

1.3 Extraordinary and material events in the reported period and after the reporting date

The Coronavirus Event

In 2020 and 2021, a vast spreading of the coronavirus took place in Israel and worldwide (hereinafter: "the Coronavirus Event"), which had severe implications on the local and global economy. For additional information on the effects of the Coronavirus Event in 2020 and 2021 and the related actions taken by the Company, see Section 1 of the Board of Directors' Report attached to the periodic report for 2020 and section 1 of the Board of Directors' Report attached to the periodic report for 2021.

In the reporting period, the Israeli government continued the vaccination campaign against the coronavirus, in an attempt to eradicate the pandemic and reduce morbidity rates. At the end of the reporting period, morbidity rates and the number of new cases reduced significantly due to the vaccination of most of the at-risk population and the positive developments in treatment and in the reduction of mortality and severity. Consequently, most of the restrictions that had been imposed to curb the spreading of the virus and reduce mortality have been lifted.

As of the date of publication of the report, activity in the Israeli economy has almost fully resumed, substantially without restrictions (including the cancellation of the mandatory wearing of masks, other than in places with a high transmission potential).

For additional information on the impact of the coronavirus, see section 2 below.



2. Description of business environment:

General

In accordance with data published by the Authority, there are more than 15 Israeli insurance companies currently active in Israel; most of these companies are engaged in general insurance. In accordance with these data, as of 2021, insurance fees from the general insurance business amounted to NIS 24.3 billion; the share of the 5 largest insurance companies – Harel, Phoenix, Migdal, Menorah and Clal – was NIS 15.2 billion, or 63% of the total premiums in the Israeli general insurance sectors.

For further details regarding the competition in the different lines of business of the company and regarding the measures taken by the company to face competition in this competitive market, see Sections 2.1.2, 2.2.2, 2.3.2, 2.4.2, 2.5.2 and 2.6.2 in Chapter A (description of company's business) in the Company's 2021 periodic report.

Developments in the company's macro-economic environment

Resolutions passed in Israel and worldwide to curb the spreading of the coronavirus had significantly affected product and employment in Israel. Different sectors were affected to varying extents by those resolutions.

In 2021 and in the reporting period, more lenient means were employed in place of lockdowns against breakouts, including the Omicron variant breakout at the end of 2021 and the beginning of 2022. These consisted mainly of restrictions on incoming and outgoing travelers. Due to the highly transmissible nature of the Omicron variant and despite the recovery of economic activity in Israel, some sectors experienced difficulties due to the large number of isolations. In the reporting period, most of the restrictions have been lifted and, as of the date of publication of the report, substantially all of the restrictions that had been imposed to curb the spreading of the virus have been cancelled (including the mandatory wearing of masks, other than in places with a high transmission potential).

In February 2022, Russia invaded Ukraine. The war resulted in the imposition of multiple international sanctions on Russia, both by countries and by corporations that discontinued or restricted their operations in Russia. In addition, various restrictions were imposed on the Russian Government, including regarding the use of foreign currency and the realization of Russian assets. This tension, together with the rising morbidity rates in China have exacerbated the difficulties in the global production and supply chain, increasing the inflationary pressure and leading to a slowdown in the global economic activity.

In the reporting period, the Bank of Israel interest rate remained unchanged, at 0.1%.

In April, the Bank of Israel's Monetary Committee decided to raise the Bank of Israel interest rate to 0.35%, this, inter alia, on the backdrop of the 3.5% inflation rate recorded in the 12 months that preceded the publication, the high unemployment rate dropping to 4.5% in March 2022 and the assessment that the GDP will grow by 5.5% in 2022 and by 4% in 2023.

The company invests a considerable part of its investment portfolio in the capital market; therefore, the yields arising from different routes of investments in the capital market have a significant effect on company's profits.



The following are data on the changes in the marketable securities indexes in the Tel Aviv Stock Exchange Ltd.:

	Jan- March 2022	Jan- March 2021	2021
Government bonds indexes			
General government bonds	(4.3%)	(0.8%)	2.3%
Linked government bonds	(3.9%)	0.4%	7.4%
NIS government bonds	(4.5%)	(1.5%)	(0.8%)
Corporate bonds indexes			
Tel Bond 60	(2.7%)	1.8%	7.8%
Tel Bond NIS	(3.5%)	0.3%	3.0%
Share indexes			
Tel-Aviv 125	2.0%	6.1%	31.1%
S&P 500	(4.9%)	5.8%	27.2%

For information regarding the composition of the Company's investments see financial investment asset list in note 6 to the condensed interim financial information.

For information on general trends in the insurance sector and their effect on company's business, see Section 4.3 in Chapter A (description of company's business) in the Company's 2021 periodic report.

The impact of new laws, regulations and directives on the business of the Company in the reported period and financial statements information

The following is a summary of major regulatory changes and the key issues that are relevant to the activity of the Company, as published by the Commissioner in circulars and drafts during the reported period until shortly before the date of issuing this report, which were not described in previous periodic reports of the Company:

Circulars

- In March 2022, the Commissioner published an amendment to the provisions of the consolidated circular concerning "Public Reporting" - Appendix 5.4.1.5, "Economic Solvency Ratio Report". The amendment updates the structure of the "movement in excess capital report" included in the aforesaid appendix to better reflect the effects on the excess capital. The aforesaid amendment was published following the publication of the related draft amendment in January 2022. This circular is effective for economic solvency ratio reports commencing on December 31, 2021.
- In March 2022, the Commissioner published an amendment to the provisions of the consolidated circular concerning "Formulation of a Health Insurance Plan". The aforesaid circular defines a basic health insurance policy that serves as a prerequisite for the purchase of additional health insurance products and prescribes the following provisions: (1) definition of a uniform market structure with a uniform policy as the basis on top of which various expansions may be offered within a fixed structure that is set out in the circular; (2) the sale of additional products is conditional upon the existence of a basic insurance policy for the policyholder in any insurance company, and not necessarily with the same insurance company from which the policyholder seeks to purchase the additional health products; (3) imposition of disclosure obligations on the marketing party as part of the sale of a policy for surgical procedures in Israel; (4) prohibition of the sale of duplicate insurance in private health indemnification products; and (5) prohibition of short-term discounts, requiring a fixed discount for a minimum period of ten years. It should be noted that, in addition to the amendment of the provisions of the aforesaid circular, supplement need to be made to the wording of the Draft Supervision of Financial Services (Insurance) (Terms of an Insurance Contract for a Basic Health Policy) Directives, 2022 and of Draft Supervision of Financial Services (Insurance) (Terms of an Insurance Contract for Surgical Procedures and Non-Surgical Alternative Treatments in Israel) (Amendment) Directives, 2022. Accordingly, changes may be made to the **wording or the content of the reform's directives. The final and binding formats are those that will be published in the Official Gazette.**

- In March 2022, the Commissioner published an amendment to the provisions of the consolidated circular concerning **“Public Reporting - Disclosure Regarding an Auditor in the Description of the Entity’s Business Report”**. In light of the amendment of the Securities Regulations (Periodic and Immediate Reports), 1970, concerning the cancellation of the obligation to disclose the number of hours worked by the auditor in the **directors’ report, the amendment cancels** the requirement to report the number of audit hours of an auditor and narrows down the disclosure of the fees by types of services provided by the auditor. The purpose of this amendment is the implementation of the amendment to the aforesaid Regulations also by **public institutions in the Description of the Entity’s Business Report. It should be noted that, as a** supplementary measure, alongside the publication of this circular, the Commissioner issued a letter to Chairs of Boards of Directors and Chairs of Audit Committees of public institutions concerning the importance of assuring the audit quality in the public institutions. The letter stresses that the Authority prioritizes the availability of optimal means to the auditor for enhancing the scope and the quality of the audit of the financial statements and that the main issues pointed out in the letter are designed to ensure that the committees of the Board of Directors are presented with the data and the explanations that are necessary for an exhaustive discussion of the matter, in accordance with the provisions of the Companies Law, 1999 and the applicable circulars.
- **In March 2022, the Commissioner published a circular concerning the “Procedure for Locating** Planholders and Beneficiaries - **Amendment”**. In view of the potential infringement of the rights of savers and beneficiaries as a result of a transfer of monies from the public institutions to the Administrator General pursuant to Public Institutions Circular 2012-9-1, concerning the procedure for the location of planholders and beneficiaries, which according to the amendment is not addressed in the provisions of the law, the above amendment defers by two years the implementation of the provisions of the aforementioned circular, in order to facilitate the formulation, during the deferral period, of a structured mechanism for the transfer of the reports to the Administrator General that would optimally mitigate the potential infringement of the monies and rights of savers with whom contact has been lost.
- In April 2022, the Commissioner published an amendment to the provisions of the consolidated circular concerning **“Board of Directors of a Public Institution”**. **The aforesaid amendment determines that the** prohibition of service as a director in a public institution by anyone who holds a position in a financial **institution, based on the classification of the financial institution and the financial institution’s volume of** assets as set out in the circular, shall not apply to a director in a public institution, who holds a position in a financial institution or in a corporation that controls a financial institution, that are controlled by the controlling shareholder of the public institution. Additionally, the amendment introduces a transitional provision, pursuant to which, if during the term in office a change in circumstances occurs that gives rise to one or more of the restrictions that apply to the service of a director in connection with the aforementioned prohibition, the director may continue to serve concurrently in the public institution and in the financial institution until the end of 6 months of the date of the change or until the nearest annual meeting, as the later of the two, and for an outside director - until the completion of the three years in office.

Drafts

- In March 2022, the Commissioner published an additional draft amendment to the Supervision of Financial Services (Insurance) (Terms of Basic Health Insurance Contracts) Directives, 2022. The purpose of the aforesaid directives is to significantly improve the ability of policyholders and candidates to compare between the various insurance companies and enhance the competition in the health insurance sector. The directives propose the creation of a basic health insurance policy that will provide optimal insurance coverage for the policyholder and that will comprise three uniform policies: a policy for transplants and special treatments overseas, a policy for drugs that are not included in the health basket and a policy for surgical procedures and non-surgical alternative treatments overseas.
- In March 2022, the Commissioner published an additional draft amendment to the Supervision of Financial Services (Insurance) (Terms of Surgical Procedures and Non-Surgical Alternative Treatments in Israel Insurance Contracts) Directives, 2022. The aforesaid draft proposes to determine that an insurer **shall be permitted to market an expansion to a surgical procedures’ insurance policy, subject to the** approval of the expansion insurance policy pursuant to Section 40 of the Law for the Supervision of Financial Services (Insurance), 1981. In addition, it proposes to determine that the discount that is granted upon the acquisition of an insurance policy will be given at a fixed rate for a minimum period of ten years. **The aim is to simplify candidates’ comparison of the insurance policies of different companies. The** aforesaid draft proposes the modification of a number of topics in the standard policy that is prescribed in said directives and to adjust the related provisions to those set out in the Supervision of Financial Services (Insurance) (Terms of Basic Health Insurance Contracts) Directives, 2022.



- **In March 2022, the Commissioner published a draft amendment to the circular concerning “Institution of Services Appendices and Their Marketing”. The amendment is designed to set rules for the institution of service appendices and their marketing, among others, in view of different courses of action that have developed following the coming into effect of the aforesaid circular. The above draft proposes to amend the aforesaid circulars with regard to the following: (1) updating it such that services for the repair and replacement of car windows would only be provided within the framework of an insurance policy; (2) an update concerning services appendices in health insurance to protect the policyholders ; (3) updating it to require that three business days separate the sale of an insurance policy and the sale of a services appendix that includes coverage for medical incidents without the involvement of an insurance company; and (4) updating it such that the insurance companies would be required to offer to the policyholder a choice between service providers also in relation to personal accidents insurance and illness and hospitalization insurance. Additionally, the above draft proposes that insurance companies be allowed to request the Commissioner not to offer a choice to the policyholder between service provider where it has been demonstrated that only a single service provider is available.**
- **In March 2022, the Commissioner published a draft amendment to the provisions of the consolidated circular concerning “Updating of Tariffs in Renewable Health Insurance Policies”. The draft proposes the setting of terms that will enable insurance companies to update the premium without being required to obtain the Commissioner’s approval, in order to maintain a balance between the need to update the terms and tariffs of insurance policies of the medical expenses type and the need to preserve and protect the interests of the policyholders. To the extent that the circular takes effect, it shall apply to individual medical expenses’ insurance plans that would be marketed or renewed after the effective date of the circular, however the circular shall not apply to long-term care insurance, personal accidents insurance, dental insurance and foreign workers’ insurance.**
- **In April 2022, the Commissioner published a draft amendment to the provisions of the consolidated circular concerning “Approval of Officers and the Reporting of Functionaries in Public Institutions”. The draft proposes, inter alia, to specify the circumstances in which a public institution is required to inform the Commissioner of the appointment and renewal of office of an officer and to adjust the candidate questionnaire and the candidate declaration to the Criminal Information and Rehabilitation of Offenders Law, 2019 and to the changes that took place following the publication of Public Institutions Circular 2018-9-31, “Board of Directors of a Public Institution”.**
- **In May 2022, a memorandum of law, Supervision of Financial Services (Insurance) (Adding the Health Insurance Sector to the License of an Agent), 2022 was published. The memorandum of law is designed to distinguish the health insurance sector, on all of its products, in the license of the insurance agents, in opposition to the current state of affairs, where an agent licensed in general insurance or pension insurance is allowed to sell and market various health insurance policies.**
- **In May 2022, the Commissioner published a draft amendment to the Supervision of Insurance Services (Terms of Home Structure and Contents Insurance Contracts) Regulations, 1986. The draft proposes to make several modifications to the standard policy that is prescribed in the addendum to the Regulations, including the setting of a specific definition for the term “explosion” and an expansion for coverage of significant damages to a home for any reason, this in order to ensure that the insurance coverage for such cases and similar cases is adequate.**
- **In May 2022, a draft amendment to the circular concerning “Life Insurance and Structure Insurance under a Housing Loan” was published. The draft proposes to adjust the aforesaid circular to the upcoming update regarding the standard policy, as described above, such that insurance agencies owned by a mortgage bank would be permitted to market a structure insurance that also includes “coverage for significant damage for any reason” and in addition to market coverage in respect of damages to a third party within the framework of the home insurance policy.**



3. Financial information on the Company's lines of business

Following are principal balance sheet data (NIS thousands):

	<u>March 31,</u> <u>2022</u>	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2021</u>
Other assets	437,682	313,540	412,469
Deferred acquisition expenses	181,899	174,725	172,527
Financial investments and cash	2,104,225	2,214,734	2,156,085
Reinsurance assets	757,165	740,829	767,609
Total assets	3,480,971	3,443,828	3,508,690
Equity	852,926	988,816	893,126
Liabilities in respect of insurance contracts	2,203,494	2,009,068	2,151,413
Other liabilities	424,551	445,944	464,151
Total equity and liabilities	3,480,971	3,443,828	3,508,690

Following are principal comprehensive income data (NIS thousands)

	<u>Jan-March</u> <u>2022</u>	<u>Jan-March</u> <u>2021</u>	<u>Jan-</u> <u>December</u> <u>2021</u>
Gross earned premiums	303,931	270,506	1,176,114
Premiums earned by reinsurers	(49,554)	(42,547)	(190,246)
Premiums earned in retention	254,377	227,959	985,868
Gains (losses) on investments, net and financing income	(28,033)	25,801	74,039
Income from commissions	13,197	11,713	50,378
Total revenue	239,541	265,473	1,110,285
Payments and change in liability for insurance contracts, in retention	(221,068)	(146,627)	(737,480)
Total other expenses	(79,151)	(68,811)	(315,876)
Income (loss) before taxes on income	(60,678)	50,035	56,929
Tax benefit (taxes on income)	20,478	(17,200)	(19,784)
Income (loss) for the period and total comprehensive income (loss) for the period	(40,200)	32,835	37,145

Capital and capital requirements

As at March 31, 2022, equity amounted to NIS 852.9 million, as compared to NIS 893.1 million as at December 31, 2021. The change in equity in the reported period is due to a comprehensive loss of NIS 40.2 million for the period.

To the best of the Company's knowledge, as at the date of the report no events have taken place that might indicate financial difficulties or a deficiency in the required minimum capital. In addition, the Company believes that in the coming year it will not be required to raise funds for the purpose of meeting the minimum capital requirement.

Solvency-II-based economic solvency regime in insurance companies

In July 2019, the Company made a full transition to an economic solvency ratio regime. For details regarding the regulation applicable to the implementation of a Solvency-II-based economic solvency regime in insurance companies, see section 3 of the Board of Directors' Report for 2021.



Presented below are data concerning solvency ratio and MCR:

Solvency ratio (NIS thousands):

	December 31, 2021	December 31, 2020
Equity for purposes of solvency capital requirement	979,665	1,126,734
Solvency capital requirement	766,992	430,187
Surplus	212,673	596,547
Economic solvency ratio (%)	128%	213%

No equity transactions or material events with a direct effect on the Company's economic solvency ratio took place in the reporting period. The Company believes that in the coming year it would not be required to raise sources for compliance with the statutory solvency ratio and with the solvency ratio target set by the Board of Directors of the Company.

Minimum capital requirement (MCR) (in NIS thousands):

	December 31, 2021	December 31, 2020
Minimum capital requirement (MCR)	208,716	180,552
Equity for purposes of MCR	979,665	1,126,734

Solvency ratio excluding the transitional provisions for the deployment period and without share-scenario adjustment

	December 31, 2021	December 31, 2020
Equity for purposes of solvency capital requirement	979,665	1,126,734
Solvency capital requirement	907,544	669,527
Surplus	72,121	457,207
Economic solvency ratio (%)	108%	168%
Surplus (deficiency) in relation to the Board of Directors' target		
Board of Directors' economic solvency ratio target (%)	130%	130%
Surplus (deficiency) in relation to target	(200,142)	256,349

The calculation performed by the Company as at December 31, 2021 was reviewed by the auditors of the Company, in accordance with ISAE 3400. For additional information on the solvency ratio, see the Company's economic solvency ratio report as at December 31, 2021 posted on the Company's website: <https://www.aig.co.il/about/repayment-ratio>.

The information that is provided in this section above constitutes forward-looking information, as defined in the Securities Law, 1968, which is based, inter alia, on the current state of the Company's operations. Actual results may differ from the estimated results, including materially, as a result of various factors, most prominently regulatory changes applicable to the Company.



4. Results of operations

The Company's total gross premiums amounted to NIS 361.6 million in the reported period, as compared to NIS 340.5 million in the corresponding period in 2021, an increase of 6.2%. The increase in gross premiums in the reported period stems mainly from the vehicle property insurance and compulsory vehicle insurance sectors.

Total premiums in retention amounted to NIS 304.8 million in the reported period, as compared to NIS 282.2 million in the corresponding period in 2021, an increase of 8.0%. The increase in premiums in retention in the reported period stems mainly from the vehicle property insurance and compulsory vehicle insurance sectors.

Premiums by principal operating segments (NIS thousands):

Jan-March 2022	Life insurance	Health insurance	General insurance	Total
Gross	38,022	36,917	286,639	361,578
In retention	30,537	36,215	238,048	304,800
% of total gross	10.5	10.2	79.3	100.0
% of retention	10.0	11.9	78.1	100.0

Jan-March 2021	Life insurance	Health insurance	General insurance	Total
Gross	37,187	32,628	270,705	340,520
In retention	29,630	31,972	220,646	282,248
% of total gross	10.9	9.6	79.5	100.0
% of retention	10.5	11.3	78.2	100.0

Jan-December 2021	Life insurance	Health insurance	General insurance	Total
Gross	150,095	143,133	934,631	1,227,859
In retention	120,969	140,416	761,588	1,022,973
% of total gross	12.2	11.7	76.1	100.0
% of retention	11.8	13.7	74.5	100.0

Principal comprehensive income data by main operating segments (NIS thousands):

	Jan-March 2022	Jan-March 2021	Jan-Dec 2021
(Loss) from compulsory vehicle insurance	(863)	(1,784)	(48,246)
Income (loss) from vehicle property insurance	(50,100)	12,719	(18,419)
Income from home insurance	445	4,022	41,244
Income (loss) from health insurance	(3,132)	5,529	16,021
Income from life insurance	1,874	6,692	16,466
Income (loss) from commercial insurance	(989)	4,297	13,591
Other - Income (loss) not allocated to any segment	(7,913)	18,560	36,272
Income (loss) before taxes on income	(60,678)	50,035	56,929
Tax benefit (taxes on income)	20,478	(17,200)	(19,784)
Income (loss) for the period and total comprehensive income (loss) for the period	(40,200)	32,835	37,145

For additional information on key segments – see note 4 to the condensed financial statements.



Following are the explanations of the Company's Board of Directors on developments in some of the data presented above:

- a. The comprehensive loss of the Company amounted to NIS 40.2 million in the reporting period, as compared to a comprehensive income of NIS 32.8 million in the corresponding period in 2021. Pre-tax loss in the reporting period amounted to NIS 60.7 million, as compared to profit of NIS 50 million in the corresponding period in 2021. The causes of the loss are an underwriting loss of NIS 47 million in vehicle property insurance and investment losses of NIS 28 million.
- b. Net investment losses amounted to NIS 28.0 million in the reporting period, as compared to investment gains of NIS 25.8 million in the corresponding period in 2021. These losses derived mainly from sharp drops on the financial markets and in particular in the Israeli bonds market, in both government bonds and corporate bonds. (See section 2 above).
- c. The loss of the Company from vehicle property insurance in the reporting period was NIS 50.1 million, as compared to profit of NIS 12.7 million in the corresponding period in 2021. The underwriting loss of the Company from vehicle property insurance amounted to NIS 47.3 million in the reporting period, as compared to profit of NIS 11.1 million in the corresponding period in 2021. The transition from profit in the corresponding period in 2021 to loss in the reporting period is **due to a significant increase in the claims' ratio**. This increase resulted from a substantial rise in the frequency and severity of car accidents and theft. **The claims' ratio in the first quarter of 2021 was still affected by the "Coronavirus Event".** As a result, in the reporting period the Company increased the provision for premium deficiency by NIS 18.6 million, to NIS 35 million as of the reporting date. **The Company is taking the necessary steps to reduce the claims' ratio and resume profitability in this sector.**
- d. The loss of the Company from compulsory vehicle insurance amounted to NIS 0.9 million in the reporting period, as compared to loss of NIS 1.8 million in the corresponding period in 2021. As a result of the increase in the negative interest curve, the insurance liabilities decreased by NIS 18.5 million. At the same time, the investment gains decreased by NIS 13 million.

The balance of the provision for premium deficiency as of the reporting date totaled NIS 8 million. The pool losses amounted to NIS 3.7 million in the reporting period, as compared to NIS 4.4 million in the corresponding period in 2021.

- e. The profit of the Company from home insurance amounted to NIS 0.4 million in the reporting period, as compared to profit of NIS 4.0 million in the corresponding period in 2021. The decrease in profit was due **mainly to the decrease in the investment gains and the higher claims' ratio. The underwriting profit of the Company from home insurance amounted to NIS 1.2 million in the reporting period, as compared to profit of NIS 3.2 million in the corresponding period in 2021. The decrease in the underwriting profit was due to the rise in the claims' ratio.**
- f. The loss of the Company from health insurance in the reporting period was NIS 3.1 million, as compared to profit of NIS 5.5 million in the corresponding period in 2021. The transition from profit to loss resulted mainly from the decrease in the underwriting profit in the personal accidents insurance and overseas travel insurance sectors and from the lower gains on investments. The underwriting loss of the Company from health insurance in the reporting period was NIS 2.1 million, as compared to profit of NIS 5.0 million in the corresponding period in 2021. The decrease in the underwriting profit **was due to the rise in the claims' ratio** in the personal accidents insurance and overseas travel insurance sectors.
- g. The profit of the Company from life insurance was NIS 1.9 million in the reporting period, as compared to profit of NIS 6.7 million in the corresponding period in 2021. The decrease in profit was due mainly to the **significant rise in the claims' ratio.**
- h. The loss of the Company from professional liability insurance in the reporting period was NIS 1.9 million, as compared to profit of NIS 2.6 million in the corresponding period in 2021. The transition from profit in the corresponding period of 2021 to loss in the reporting period was due to a significant reduction in investment gains.
- i. The profit of the Company from other property insurance in the reported period was NIS 0.4 million, as compared to profit of NIS 1.0 million in the corresponding period in 2021. The underwriting profit of the Company from other property insurance amounted to NIS 0.6 million in the reporting period, as compared to profit of NIS 0.9 thousand in the corresponding period in 2021.



- j. The profit of the Company from other liability insurance amounted to NIS 0.6 million in the reporting period, as compared to loss of NIS 0.7 million in the corresponding period in 2021. Investment gains decreased by NIS 2.4 million in the reporting period compared to the corresponding period in 2021. At the same time, the claims' ratio improved significantly as a result of the reduction in the insurance liabilities.

Presented below is an analysis of operating results in property insurance sectors:

a. Underwriting profit (loss) (NIS thousands):

	Jan-March 2022	Jan- March 2021	Jan-Dec 2021
Vehicle property	(47,280)	11,074	(25,548)
Home	1,238	3,198	37,580
Other property sectors	568	890	1,723

b. Principal data regarding the claims' ratio¹ (Loss Ratio "LR") and the claims' and expenses' ratio (Combined Ratio "CR"):

	Jan-March 2022		Jan- March 2021		Jan-Dec 2021	
	LR%	CR%	LR%	CR%	LR%	CR%
<u>Vehicle property:</u>						
Gross	125%	145%	67%	88%	85%	106%
In retention	125%	145%	67%	88%	85	106%
<u>Property²:</u>						
Gross	46%	75%	52%	81%	33%	63%
In retention *	62%	94%	56%	90%	32%	67%

5. Cash flows and liquidity

Net cash provided by operating activities in the reported period was NIS 10.8 million, compared to NIS 12.5 million used in operating activities in the corresponding period in 2021.

Net cash used in investing activities in the reported period amounted to NIS 2.3 million, compared to NIS 2.5 million in the corresponding period in 2021.

Net cash used in financing activities in the reported period amounted to NIS 1.3 million, compared to NIS 1.4 million in the corresponding period in 2021.

As a result of the above, the balance of cash and cash equivalents in the reported period decreased by NIS 7.1 million and amounted to NIS 68.7 million as at March 31, 2022.

¹ For the gross data, the claims' ratio and the expenses' ratio are calculated for gross earned premiums. For the data in retention, the claims' ratio and the expenses' ratio are calculated for premiums earned in retention.

² Home and other property sectors.



6. Sources of funding

All of the Company's operations are funded using its own resources and capital. As of the date of approving this report, the Company does not use any external funding sources.

7. Material events after the date of the statement of financial position

No material events took place after the date of the statement of financial position.

8. CEO and CFO Disclosure regarding the effectiveness of controls and procedures applied to company's disclosures

Controls and procedures applied to disclosure

The Company's management, with the collaboration of the Company's CEO and CFO, assessed as of the end of the period covered by this report the effectiveness of the controls and procedures with respect to the Company's disclosure. Based on this assessment, the Company's CEO and CFO concluded that as of the end of this period the controls and procedures with respect to the Company's disclosure are effective in order to record, process, summarize and report the information that the Company is required to disclose in the quarterly report pursuant to the provisions of the law and the reporting provisions issued by the Commissioner of Capital Markets, Insurance and Savings, and on the date set in these provisions.

Internal controls over financial reporting

In the course of the quarter ending on March 31, 2022, no change has occurred in the internal control of the Company over financial reporting that materially affected or is reasonably expected to materially affect the Company's internal control on financial reporting.

For purposes of this paragraph, "the covered period" is the reported financial quarter.

Management's statements as to the adequacy of the financial data presented in the Company's financial statements and the existence and effectiveness of internal controls relating to the financial statements are attached hereunder.

The Board of Directors wishes to thank the Company's employees and management for their contribution to its business achievements.

Edward Levin
Chairman of the Board of Directors

Yfat Reiter
CEO

May 24, 2022



Declaration

I, Yfat Reiter hereby declare that:

1. I reviewed the interim report of AIG Israel Insurance Company Ltd. (hereafter – "the insurance company") for the quarter ended March 31, 2022 (hereafter – "the report").
2. Based on my knowledge, the report does not include any misstatement of a material fact or omit to disclose a material fact the presentation of which in the report is necessary for the purpose of ensuring that under the circumstances in which those presentations are included, they will not be misleading regarding the period covered by the report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the report reflect fairly, in all material respects, the financial position, results of operations, changes in shareholders' equity and cash flows of the insurance company for the date and periods covered by the report.
4. The Company's other certifying officers and I are responsible for establishing and maintaining controls and procedures relating to disclosure¹ and internal controls over financial reporting of the insurance company; and -
 - (a) Accordingly, we have designed such disclosure controls and procedures, or have had such disclosure controls and procedures established under our charge, designed to ensure that material information relating to the insurance company is made known to us by others in the insurance company particularly during the period in which the reports were prepared;
 - (b) We designed internal controls over financial reporting, or supervised the design of such internal controls designed to provide a reasonable assurance regarding the reliability of the financial reporting and assurance to the effect that the financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and in accordance with the directives of the Supervisor of Insurance.
 - (c) We assessed the effectiveness of controls and procedures regarding the disclosure of the insurance company and presented our conclusions regarding the effectiveness of disclosure controls and procedures as of the end of the period covered in the report, based on our estimate; and
 - (d) We disclosed in the report any change in the insurance company's internal controls over financial reporting which took place in this quarter and had a

¹ As defined in the provisions of the Institutional Bodies Circular regarding internal controls over financial reporting – declarations, reports and disclosures.

material effect or is expected to have a material effect on the insurance company's internal controls over financial reporting; and

5. The insurance company's other certifying officers and I have disclosed to the insurance company's auditors, the insurance company's board of directors and its audit committee, based on our most recent evaluation of internal controls over financial reporting, the following:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the insurance company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether material or not, that involves management or other employees who have a significant role in the insurance company's internal controls over financial reporting.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of any other person, pursuant to any law.

Yfat Reiter - CEO

May 24, 2022



Declaration

I, David Rothstein hereby declare that:

1. I reviewed the interim report of AIG Israel Insurance Company Ltd. (hereafter – "the insurance company") for the quarter ended March 31, 2022 (hereafter – "the report").
2. Based on my knowledge, the report does not include any misstatement of a material fact or omit to disclose a material fact the presentation of which in the report is necessary for the purpose of ensuring that under the circumstances in which those presentations are included, they will not be misleading regarding the period covered by the report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the report reflect fairly, in all material respects, the financial position, results of operations, changes in shareholders' equity and cash flows of the insurance company for the date and periods covered by the report.
4. The Company's other certifying officers and I are responsible for establishing and maintaining controls and procedures relating to disclosure¹ and internal controls over financial reporting of the insurance company; and -
 - (a) Accordingly, we have designed such disclosure controls and procedures, or have had such disclosure controls and procedures established under our charge, designed to ensure that material information relating to the insurance company is made known to us by others in the insurance company particularly during the period in which the reports were prepared;
 - (b) We designed internal controls over financial reporting, or supervised the design of such internal controls designed to provide a reasonable assurance regarding the reliability of the financial reporting and assurance to the effect that the financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and in accordance with the directives of the Supervisor of Insurance.
 - (c) We assessed the effectiveness of controls and procedures regarding the disclosure of the insurance company and presented our conclusions regarding the effectiveness of disclosure controls and procedures as of the end of the period covered in the report, based on our estimate; and
 - (d) We disclosed in the report any change in the insurance company's internal controls over financial reporting which took place in this quarter and had a

¹ As defined in the provisions of the Institutional Bodies Circular regarding internal controls over financial reporting – declarations, reports and disclosures.

material effect or is expected to have a material effect on the insurance company's internal controls over financial reporting; and

5. The insurance company's other certifying officers and I have disclosed to the insurance company's auditors, the insurance company's board of directors and its audit committee, based on our most recent evaluation of internal controls over financial reporting, the following:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the insurance company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether material or not, that involves management or other employees who have a significant role in the insurance company's internal controls over financial reporting.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of any other person, pursuant to any law.

David Rothstein - CFO

May 24, 2022



Directors and Management's Report Regarding Internal Controls over Financial Reporting

Management, with the supervision of the Board of Directors of AIG Insurance Company Ltd. (hereafter the "the Insurance Company") are responsible for setting and maintaining effective internal control over financial reporting. The internal controls system of the insurance company was planned in order to provide reasonable assurance to management and Board of Directors to the effect that the financial statements are prepared and presented fairly in accordance with International Financial Reporting Standards and in accordance with the directives of the Supervisor of Insurance.

All internal controls have inherent limitations regardless of the quality of planning. Therefore, even if it is determined that these controls are effective they can only provide a reasonable measure of assurance regarding the preparation and presentation of financial statements.

Management, supervised by the Board of Directors, maintains a comprehensive control system designed to ensure that transactions are carried out in accordance with **management's authorization**, assets are protected, and accounting records are reliable. In addition, management with the Board of Directors' supervision takes measures in order to ensure that the information and communications channels are effective and monitor implementation, including implementation of the internal control procedures.

The Insurance Company's management with the supervision of its Board of Directors evaluates the effectiveness of the internal control of the Insurance Company over financial reporting as at March 31, 2021, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation management believes that as at March 31, 2022 the internal control of the Insurance Company over financial reporting is effective.

Mr. Edward Levin
Chairman of the Board

Ms. Yfat Reiter
CEO

Mr. David Rothstein
CFO

Date of approval of financial statements: May 24, 2022

AIG Israel Insurance Company Ltd.

**Condensed Interim Financial Statements
(Unaudited)
As at March 31, 2022**

Condensed Interim Financial Statements as at March 31, 2022 (Unaudited)

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Auditors' review report to shareholders of AIG Israel Insurance Company Ltd.

Introduction

We have reviewed the attached financial information of AIG Israel Insurance Company Ltd ("the Company"), which is comprised of the condensed statement of financial position as of March 31, 2022 and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with the provisions of International Accounting Standard No. 34, 'Interim Financial Reporting' (hereafter "IAS 34"), and they are also responsible for the preparation of the financial information for this interim period in accordance with the disclosure requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981. Our responsibility is to express a conclusion with respect to the financial information for this interim period, based on our review.

Scope of review

Our review was conducted in accordance with the provisions of Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, 'Review of financial information for interim period undertaken by the entity's auditor.' A review of financial information for an interim period consists of the making of enquiries, in particular, of those officials responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is substantially lesser in scope than an audit conducted in accordance with auditing standards generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, no matter has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with IAS 34.

In addition, based on our review, no matter has come to our attention that causes us to believe that the above financial information does not comply, in all material respects, with the disclosure provisions prescribed by the Commissioner of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981.

Emphasis of a matter

Without qualifying our conclusion, as above, we draw attention to the stated in Note 7 to the financial information referred to above concerning the exposure to contingent liabilities.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 24, 2022

Condensed Interim Statements of Financial Position as at

	March 31, 2022	March 31, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Intangible assets	25,312	25,138	27,194
Deferred acquisition costs	181,899	174,725	172,527
Property and equipment	26,961	31,112	28,950
Reinsurance assets	757,165	740,829	767,609
Premiums collectible	219,093	200,643	195,749
Current tax assets	85,917	11,599	76,328
Other receivables	80,399	45,048	84,248
	<u>1,376,746</u>	<u>1,229,094</u>	<u>1,352,605</u>
Financial investments			
Marketable debt instruments	1,848,944	1,951,074	1,903,047
Non-marketable debt instruments	78,783	77,580	83,086
Other	107,823	106,406	108,370
Total financial investments	<u>2,035,550</u>	<u>2,135,060</u>	<u>2,094,503</u>
Cash and cash equivalents	<u>68,675</u>	<u>79,674</u>	<u>61,582</u>
Total assets	<u><u>3,480,971</u></u>	<u><u>3,443,828</u></u>	<u><u>3,508,690</u></u>

Edward Levin
Chairman of the Board
of Directors

Yfat Reiter
C.E.O

David Rothstein
C.F.O

Date of approval of the interim financial statements:
May 24, 2022

Condensed Interim Statements of Financial Position as at

	March 31, 2022	March 31, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Equity and liabilities			
Equity			
Share capital	6	6	6
Share premium	250,601	250,601	250,601
Other reserves	15,708	15,708	15,708
Retained earning	586,611	722,501	626,811
Total equity attributable to equity holders of the Company	852,926	988,816	893,126
Liabilities			
Liabilities in respect of insurance contracts that are not yield dependent	2,203,494	2,009,068	2,151,413
Liabilities in respect of deferred taxes, net	3,176	9,683	16,559
Retirement benefit obligation, net	4,961	5,057	5,261
Liabilities to reinsurers	297,778	317,873	305,590
Other payables	118,636	113,331	136,741
Total liabilities	2,628,045	2,455,012	2,615,564
Total equity and liabilities	3,480,971	3,443,828	3,508,690

The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statements of Profit or Loss and Other Comprehensive Income

	Three-month period ended March 31		Year ended December 31,
	2022	2021	2021
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Gross earned premiums	303,931	270,506	1,176,114
Premiums earned by reinsurers	(49,554)	(42,547)	(190,246)
Premiums earned in retention	254,377	227,959	985,868
Gains (losses) on investments, net and financing income	(28,033)	25,801	74,039
Commission income	13,197	11,713	50,378
Total income	239,541	265,473	1,110,285
Payments and change in liabilities with respect to insurance contracts, gross	(240,261)	(176,555)	(880,135)
Share of reinsurers in increase of insurance liability and payments for insurance contracts	19,193	29,928	142,655
Payments and change in liabilities with respect to insurance contracts, in retention	(221,068)	(146,627)	(737,480)
Commissions, marketing expenses and other acquisition costs	(60,245)	(51,540)	(239,583)
General and administrative expenses	(21,474)	(18,986)	(78,860)
Financing income, net	2,568	1,715	2,567
Total expenses	(300,219)	(215,438)	(1,053,356)
Income (loss) before taxes on income	(60,678)	50,035	56,929
Tax benefit (taxes on income)	20,478	(17,200)	(19,784)
Income (loss) for the period and total comprehensive income (loss) for the period	(40,200)	32,835	37,145
Basic earnings per share:			
Basic earnings (loss) per share	(7.02)	5.73	6.48
Number of shares used in calculating basic earnings per share	5,730	5,730	5,730

The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statements of Changes in Equity

	Share capital	Share premium	Other reserves	Retained earnings	Total
	NIS thousands				
Three-month period ended March 31, 2022					
Balance as at January 1, 2022 (audited)	6	250,601	15,708	626,811	893,126
Total comprehensive loss for the period				(40,200)	(40,200)
Balance as at March 31, 2022 (unaudited)	6	250,601	15,708	586,611	852,926
Three-month period ended March 31, 2021					
Balance as at January 1, 2021 (audited)	6	250,601	15,708	689,666	955,981
Total comprehensive income for the period				32,835	32,835
Balance as at March 31, 2021 (unaudited)	6	250,601	15,708	722,501	988,816
Year ended December 31, 2021					
Balance as at January 1, 2021 (audited)	6	250,601	15,708	689,666	955,981
Total comprehensive income for the year				37,145	37,145
Dividend				(100,000)	(100,000)
Balance as at December 31, 2021 (unaudited)	6	250,601	15,708	626,811	893,126

The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statements of Cash Flows

	Three-month period ended March 31		Year ended December 31,
	2022	2021	2021
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Cash flows from operating activities:			
Net cash provided by operations (Appendix A)	1,225	18,588	76,866
Interest paid	(82)	(109)	(396)
Interest received	12,197	20,546	54,854
Income taxes paid	(12,232)	(61,536)	(52,350)
Income taxes received	9,730	9,979	9,979
Net cash provided by (used in) operating activities	10,838	(12,532)	88,953
Cash flows from investing activities:			
Changes in assets covering equity and non-insurance liabilities:			
Investment in property and equipment	(401)	(21)	(4,860)
Investment in intangible assets	(1,933)	(2,511)	(14,511)
Net cash used in investing activities	(2,334)	(2,532)	(19,371)
Cash flows from financing activities:			
Dividend distributed to the equity holders of the Company	-	-	(100,000)
Repayment of principal of lease liabilities	(1,365)	(1,338)	(5,394)
Net cash used in financing activities	(1,365)	(1,338)	(105,394)
Impact of exchange rate fluctuations on cash and cash equivalent balances	(46)	(1,328)	(10)
Increase (decrease) in cash and cash equivalents	7,093	(17,730)	(35,822)
Cash and cash equivalents at beginning of period	61,582	97,404	97,404
Cash and cash equivalents at end of period	68,675	79,674	61,582

The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statements of Cash Flows

	Three-month period ended March 31		Year ended December 31,
	2022	2021	2021
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Appendix A - cash flows from operating activity:			
Income (loss) for the period	(40,200)	32,835	37,145
Adjustments for -			
Income and expenses not involving cash flows:			
Change in liabilities for insurance contracts that are not yield dependent	52,081	82,424	224,769
Change in reinsurance assets	10,444	(21,665)	(48,445)
Change in deferred acquisition costs	(9,372)	(14,096)	(11,898)
Taxes on income (tax benefit)	(20,478)	17,200	19,784
Change in retirement benefit obligations, net	(300)	50	254
Depreciation of property and equipment	2,390	2,238	9,239
Amortization of intangible assets	3,815	3,071	13,015
Losses (gains), net, on financial investments:			
Marketable debt instruments	39,112	6,651	(7,153)
Non-marketable debt instruments	3,238	5,256	(2,174)
Marketable exchange traded notes	547	(12,624)	(14,588)
Impact of fluctuation in exchange rate on cash and cash equivalents	46	1,328	10
	<u>81,523</u>	<u>69,833</u>	<u>182,813</u>
Changes in assets and liabilities:			
Liabilities to reinsurers	(7,812)	23,812	11,529
Investments in financial assets, net	16,056	(105,108)	(41,353)
Premiums collectible	(23,344)	(30,524)	(25,630)
Other receivables	3,849	27,315	(11,885)
Other payables	(16,740)	(14,145)	13,321
Current tax assets (current tax liabilities), net	8	35,007	(34,616)
	<u>(27,983)</u>	<u>(63,643)</u>	<u>(88,634)</u>
Adjustments for interest and dividend:			
Interest paid	82	109	396
Interest received	(12,197)	(20,546)	(54,854)
	<u>(12,115)</u>	<u>(20,437)</u>	<u>(54,458)</u>
Net cash provided by operations	<u>1,225</u>	<u>18,588</u>	<u>76,866</u>

Cash flows from operating activities include those stemming from financial investment purchases and sales (net) that relate to operations involving insurance contracts.

The accompanying notes are an integral part of these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements

Note 1 - General**A. Reporting Entity**

AIG Israel Insurance Company Ltd. (hereinafter - "the Company") was incorporated in Israel on March 27, 1996 as a private company in which the shareholders have limited responsibility. The Company commenced its insurance operations in May 1997. The Company does not hold any subsidiaries or affiliated companies. The Company has no foreign operations through branches or investee companies.

The ultimate parent company is American International Group Inc. (hereinafter - "AIG Global Corporation" or "AIG"), which is a leading international insurance and financial concern.

The Company's sole shareholder is AIG Holdings Europe Limited (hereinafter - "AHEL"), which holds all the issued share capital of the Company. AHEL is a member of the AIG Global Corporation.

The registered office of the Company is at 25 HaSivim St. Petach Tikva, Israel.

B. Definitions:

1. The Company – AIG Israel Insurance Company Ltd.
2. Commissioner - Commissioner of Capital Market, Insurance and Savings Authority.
3. The Supervision Law – The Supervision of Financial Services (Insurance) Law, 1981.
4. Reinsurance assets – the reinsurer's share in the reserves for insurance contracts and in the contingent claims.
5. Outstanding claims - Known outstanding claims, with the addition of the expected progression of claims that have been incurred but not enough reported (I.B.N.E.R.) plus claims that have been Incurred but not reported (I.B.N.R).
6. Insurance contract - A contract under which one party (the insurer) takes a significant insurance risk from another party (policyholder), by agreement to indemnify the policyholder if an uncertain a defined future event (insurance event) negatively affects the policyholder.
7. Liability for insurance contracts - Insurance reserves and outstanding claims.
8. Premiums - Premiums including fees and proceeds for related services
9. Premiums earned - premiums that relate to the reporting period.

Notes to the Condensed Interim Financial Statements

Note 1 – General (cont'd):

C. Material Events in the Reporting Period - The Coronavirus Event

The Coronavirus Event

In 2020 and 2021, a vast spreading of the coronavirus took place in Israel and worldwide (hereinafter: "the Coronavirus Event"), which had severe implications on the local and global economy. For additional information on the effects of the Coronavirus Event in 2020 and 2021 and the related actions taken by the Company, see Note 1(c) to the financial statements for 2021.

In the reporting period, the Israeli government continued the vaccination campaign against the coronavirus, in an attempt to eradicate the pandemic and reduce morbidity rates. At the end of the reporting period, morbidity rates and the number of new cases reduced significantly due to the vaccination of most of the at-risk population and the positive developments in treatment and in the reduction of mortality and severity. Consequently, most of the restrictions that had been imposed to curb the spreading of the virus and reduce mortality have been lifted.

As of the date of publication of the report, activity in the Israeli economy has almost fully resumed, substantially without restrictions (including the cancellation of the mandatory wearing of masks, other than in places with a high contagion potential).

Note 2 - Basis of Preparation of Financial Statements

A. Statement of compliance

The condensed interim financial statements (hereinafter - "the interim financial information") has been prepared in accordance with the provisions of International Accounting Standard No. 34 - "Interim Financial Reporting" (hereinafter - "IAS 34") and do not include all of the information required for full annual financial statements, and in accordance with the disclosure requirements of the Supervision Law and the regulations promulgated thereunder. The interim financial information should be read in conjunction with the annual financial statements as at December 31, 2021 and for the year ended on that date (hereinafter - "the 2021 annual financial statements of the Company").

The condensed interim financial statements were approved for publication by the Board of Directors of the Company on May 24, 2022.

B. Use of estimates and judgments

The preparation of condensed interim financial statements in conformity with IFRSs requires management of the Company to make judgments, estimates and assumptions that affect the application of policies and the amounts of assets, liabilities, income and expenses. It is hereby clarified that actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those applied in the preparation of the annual financial statements.

Notes to the Condensed Interim Financial Statements

Note 3 - Significant Accounting Policies

The significant accounting policies and the computational methods applied in the preparation of the interim financial information are consistent with the policies and methods applied in the preparation of the annual financial statements of the Company for 2021.

Note 4 - Segment Information

The operating segments were determined on the basis of the information examined by the chief operational decision-maker for the purposes of evaluating performance and deciding upon the allocation of resources.

The Company operates in the following operating segments: general insurance, health insurance and life insurance, as set out below. Activities that are not attributed to the segments includes the equity, the non-insurance liabilities and their covering assets.

A. Life insurance segment

The life insurance segment provides cover for life insurance risk only as well as coverage of other risks such as disability, occupational disability and other health related services

B. Health insurance segment

All the Company's health insurance operations are concentrated within this segment. The segment provides personal accident cover, severe illness cover and foreign travel cover.

C. General insurance segment

The general insurance segment encompasses the property and liability sectors. In accordance with the directives of the Commissioner of Insurance, the segment is divided into the following sectors: the compulsory motor vehicle sector, the motor vehicle property sector, the home insurance sector, other property sectors, other liability sectors, and the professional liability sector.

- **Compulsory motor vehicle sector**

The compulsory motor vehicle sector focuses on the provision of cover, the purchase of which, by the owner or driver of a vehicle, is compulsory by law. This insurance provides cover for bodily injury occasioned to the driver of the vehicle, any passengers therein or pedestrians as a result of the use of an engine vehicle.

- **Motor vehicle property sector**

The motor vehicle property sector focuses on the provision of cover for property damage occasioned to the motor vehicle of the insured and for property damage that the motor vehicle of the insured causes to a third party.

- **Home insurance sector**

The apartment's insurance sector focuses in providing coverage for damages caused to apartments and includes coverage in respect of damages caused by earthquake.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)**C. General insurance segment (cont'd)**

- **Professional liability sector**

The professional liability sector provides cover to practitioners of the various liberal professions for any claims that may be made against them in relation to injury occasioned to a third party as a result of a mistake or professional negligence. Insurance coverage to directors and office holders in respect of an unlawful act or oversight carried out by the directors and office holders in their professional capacity, for funds misappropriation damages and for cyber events.

- **Other property sectors**

Other property sectors provide cover with respect to those property lines which are not connected with the motor vehicle or liability sectors. Cover is principally provided with respect to property insurance, subcontractors and mechanical breakdown insurance.

- **Other liability sectors**

Other liability sectors provide cover for the liability of the insured with respect to damage that the insured causes to a third party. Amongst the liabilities covered by these sectors are third party liability, employer's liability and product liability.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

	Three-month period ended March 31, 2022 (unaudited)				Total
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	
			NIS thousands		
Gross earned premiums	38,629	35,902	229,400		303,931
Premiums earned by Reinsurers	(7,484)	(702)	(41,368)		(49,554)
Premiums earned in retention	31,145	35,200	188,032		254,377
Losses on investments, net	-	(992)	(17,210)	(9,831)	(28,033)
Commission income	2,031	96	11,070		13,197
Total income	33,176	34,304	181,892	(9,831)	239,541
Payments and change in liabilities with respect to insurance contracts (gross)	(19,244)	(23,314)	(197,703)		(240,261)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	3,431	321	15,441		19,193
Payments and change in liabilities with respect to insurance contracts, in retention	(15,813)	(22,993)	(182,262)		(221,068)
Commissions and other acquisition costs	(10,929)	(9,591)	(39,725)		(60,245)
General and administrative expenses	(4,560)	(4,852)	(12,062)		(21,474)
Financing income, net	-	-	650	1,918	2,568
Total comprehensive income (loss) before taxes on income	1,874	(3,132)	(51,507)	(7,913)	(60,678)
Liabilities for insurance contracts, gross, as of March 31, 2022	71,731	85,839	2,045,924		2,203,494

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

C. General insurance segment (cont'd)

	Three-month period ended March 31, 2021 (unaudited)				Total
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	
	NIS thousands				
Gross earned premiums	37,986	32,639	199,881		270,506
Premiums earned by reinsurers	(7,559)	(656)	(34,332)		(42,547)
Premiums earned in retention	30,427	31,983	165,549		227,959
Gains on investments, net	-	491	8,092	17,218	25,801
Commission income	1,775	77	9,861		11,713
Total income	32,202	32,551	183,502	17,218	265,473
Payments and change in liabilities with respect to insurance contracts (gross)	(14,306)	(15,719)	(146,530)		(176,555)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	2,734	525	26,669		29,928
Payments and change in liabilities with respect to insurance contracts, in retention	(11,572)	(15,194)	(119,861)		(146,627)
Commissions and other acquisition costs	(9,904)	(7,754)	(33,882)		(51,540)
General and administrative expenses	(4,034)	(4,074)	(10,878)		(18,986)
Financing income, net	-	-	373	1,342	1,715
Total comprehensive income before taxes on income	6,692	5,529	19,254	18,560	50,035
Liabilities for insurance contracts, gross, as of March 31, 2021	55,748	78,369	1,874,951		2,009,068

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

C. General insurance segment (cont'd)

	Year ended December 31, 2021 (audited)				
	Life Insurance	Health Insurance *	General insurance	Not attributed to operating segments	Total
	NIS thousands				
Gross earned premiums	149,881	141,832	884,401		1,176,114
Premiums earned by Reinsurers	(29,128)	(2,717)	(158,401)		(190,246)
Premiums earned in retention	120,753	139,115	726,000		985,868
Gains on investments, net, and financing income	-	2,363	36,676	35,000	74,039
Commission income	7,337	331	42,710		50,378
Total income	128,090	141,809	805,386	35,000	1,110,285
Payments and change in liabilities with respect to insurance contracts (gross)	(73,306)	(76,042)	(730,787)		(880,135)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	17,149	1,512	123,994		142,655
Payments and change in liabilities with respect to insurance contracts, in retention	(56,157)	(74,530)	(606,793)		(737,480)
Commissions and other acquisition costs	(38,368)	(32,569)	(168,646)		(239,583)
General and administrative expenses	(17,099)	(18,689)	(43,072)		(78,860)
Financing income, net	-	-	1,295	1,272	2,567
Total comprehensive income (loss) before taxes on income	16,466	16,021	(11,830)	36,272	56,929
Liabilities for insurance contracts, gross, as of December 31, 2021	69,312	79,853	2,208,025		2,151,413

* The health insurance segment primarily comprises the results of the personal accidents sector.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

Additional information relating to general insurance segment:

	Three-month period ended March 31, 2022 (unaudited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors**	Other liability sectors*	Total
	NIS thousands						
Gross premiums	63,792	136,471	38,784	29,868	9,476	8,248	286,639
Reinsurance premiums	(881)	-	(3,495)	(27,619)	(9,126)	(7,470)	(48,591)
Premiums in retention	62,911	136,471	358,289	2,249	350	778	238,048
Change in balance of unearned premiums, in retention	(12,863)	(31,220)	(5,230)	(628)	6	(81)	(50,016)
Premiums earned in retention	50,048	105,251	30,059	1,621	356	697	188,032
Losses on investments, net	(8,903)	(3,175)	(1,079)	(2,186)	(199)	(1,668)	(17,210)
Commission income	-	-	246	7,582	1,941	1,301	11,070
Total income	41,145	102,076	29,226	7,017	2,098	330	181,892
Increase in insurance liabilities and payments with respect to insurance contracts	(30,976)	(131,458)	(19,120)	(11,020)	(649)	(4,480)	(197,703)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	(430)	-	660	8,592	463	6,156	15,441
Increase in insurance liabilities and payments with respect to insurance contracts, in retention	(31,406)	(131,458)	(18,460)	(2,428)	(186)	1,676	(182,262)
Commissions, marketing expenses and other acquisition costs	(7,222)	(16,051)	(7,351)	(6,256)	(1,459)	(1,386)	(39,725)
General and administrative expenses	(3,380)	(5,022)	(3,256)	(260)	(84)	(60)	(12,062)
Financing income, net	-	355	286	7	-	2	650
Total expenses	(42,008)	(152,176)	(28,781)	(8,937)	(1,729)	232	(233,399)
Total comprehensive income (loss) before taxes on income	(863)	(50,100)	445	(1,920)	369	562	(51,507)
Liabilities with respect to insurance contracts, gross, as at March 31, 2022	928,825	362,881	111,609	318,327	84,083	240,199	2,045,924
Liabilities with respect to insurance contracts, in retention, as at March 31, 2022	758,190	362,881	106,382	38,944	1,974	38,053	1,306,406

(*) Other property sectors reflect mainly the results of the property loss insurance sector, which accounts for 99% of the total premiums attributable to these sectors.

(**) Other liability sectors reflect mainly the results of the product liability insurance sector, which accounts for 51% of the total premiums attributable to these sectors.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

Additional information relating to general insurance segment (continued):

	Three-month period ended March 31, 2021 (unaudited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors**	Other liability sectors*	Total
	NIS thousands						
Gross premiums	61,382	123,537	36,376	29,373	10,855	9,182	270,705
Reinsurance premiums	(854)	-	(3,102)	(26,927)	(10,811)	(8,365)	(50,059)
Premiums in retention	60,528	123,537	33,274	2,446	44	817	220,646
Change in balance of unearned premiums, in retention	(14,968)	(33,835)	(5,246)	(846)	(9)	(193)	(55,097)
Premiums earned in retention	45,560	89,702	28,028	1,600	35	624	165,549
Gains on investments, net	3,967	1,476	635	1,164	104	746	8,092
Commission income	-	-	526	6,317	1,584	1,434	9,861
Total income	49,527	91,178	29,189	9,081	1,723	2,804	183,502
Increase in insurance liabilities and payments with respect to insurance contracts	(48,939)	(60,547)	(15,613)	(11,161)	(4,316)	(5,954)	(146,530)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	7,151	-	253	9,619	4,463	5,183	26,669
Increase in insurance liabilities and payments with respect to insurance contracts, in retention	(41,788)	(60,547)	(15,360)	(1,542)	147	(771)	(119,861)
Commissions, marketing expenses and other acquisition costs	(6,548)	(13,355)	(7,141)	(4,703)	(819)	(1,316)	(33,882)
General and administrative expenses	(2,975)	(4,726)	(2,855)	(202)	(57)	(63)	(10,878)
Financing income, net	-	169	189	12	-	-	373
Total expenses	(51,311)	(78,459)	(25,167)	(6,435)	(729)	(2,147)	(164,248)
Total comprehensive income (loss) before taxes on income	(1,784)	12,719	4,022	2,646	994	657	19,254
Liabilities with respect to insurance contracts, gross, as at March 31, 2021	821,096	282,694	123,371	329,634	89,118	229,038	1,874,951
Liabilities with respect to insurance contracts, in retention, as at March 31, 2021	672,881	282,694	117,944	37,776	2,081	37,506	3,150,882

(*) Other property sectors reflect mainly the results of the property loss insurance sector, which accounts for 98% of the total premiums attributable to these sectors.

(**) Other liability sectors reflect mainly the results of the product liability insurance sector, which accounts for 54% of the total premiums attributable to these sectors.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

Additional information relating to general insurance segment (continued):

	Year ended December 31, 2021 (audited)						Total
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors**	Other liability sectors*	
				NIS thousands			
Gross premiums	209,874	421,221	135,374	103,219	37,953	26,990	935,631
Reinsurance premiums	(2,878)	-	(13,928)	(94,802)	(37,853)	(23,582)	(173,043)
Premiums in retention	206,996	421,221	121,446	8,417	100	3,408	761,588
Change in balance of unearned premiums, in retention	(7,822)	(24,169)	(2,872)	(649)	(13)	(63)	(35,588)
Premiums earned in retention	199,174	397,052	118,574	7,768	87	3,345	726,000
Gains on investments, net and financing income	17,931	6,472	3,045	5,328	456	3,444	36,676
Commission income	-	-	1,336	27,964	7,082	6,328	42,710
Total income	217,105	403,524	122,955	41,060	7,625	13,117	805,386
Payments and change in insurance liabilities with respect to insurance contracts, gross	(258,961)	(336,699)	(37,901)	(45,570)	(15,557)	(36,099)	(730,787)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	38,125	-	652	40,987	15,090	29,140	123,994
Payments and changes in liabilities with respect to insurance contracts, in retention	(220,836)	(336,699)	(37,249)	(47,583)	(467)	(6,959)	(606,793)
Commissions, marketing expenses and other acquisition costs	(32,635)	(68,565)	(32,726)	(24,209)	(4,670)	(5,841)	(168,646)
General and administrative expenses	(11,880)	(17,336)	(12,335)	(972)	(309)	(220)	(43,072)
Financing income	-	657	619	15	-	-	1,295
Total expenses	(265,351)	(421,943)	(81,711)	(29,749)	(5,446)	(13,016)	(817,216)
Total comprehensive income (loss) before taxes on income	(48,246)	(18,419)	41,244	11,311	2,179	101	(11,830)
Liabilities with respect to insurance contracts, gross, as at December 31, 2021	935,152	310,885	105,762	307,820	93,934	242,544	1,996,097
Liabilities with respect to insurance contracts, in retention, as at December 31, 2021	757,093	310,885	100,519	36,673	2,032	41,207	1,248,409

(*) Other property sectors reflect mainly the results of the property insurance sector, which accounts for 99% of the total premiums attributable to these sectors.

(**) Other liability sectors reflect mainly the results of the third-party liability insurance sector, which accounts for 45% of the total premiums attributable to these sectors.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

4.1 Additional information relating to life insurance segment:

Three-month period ended March 31, 2022 (unaudited):

	Policies not containing savings element Risk sold as single policy Private NIS thousands
Gross risk premiums	38,022
Payments and change in liabilities with respect to insurance contracts, gross	19,244

Three-month period ended March 31, 2021 (unaudited):

	Policies not containing savings element Risk sold as single policy Private NIS thousands
Gross risk premiums	37,187
Payments and change in liabilities with respect to insurance contracts, gross	14,306

Year ended December 31, 2021 (audited):

	Policies not containing savings element Risk sold as single policy Private NIS thousands
Gross risk premiums	150,095
Payments and change in liabilities with respect to insurance contracts, gross	73,306

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

4.2 Additional information relating to healthcare segment:

Three-month period ended March 31, 2022 (unaudited):

	Long-term NIS thousands	Short-term NIS thousands	Total NIS thousands
Gross premiums	31,252	5,665	* 36,917
Payments and change in liabilities with respect to insurance contracts, gross	16,663	6,651	23,314

* Consists primarily of policies issued to individuals.

Three-month period ended March 31, 2021 (unaudited):

	Long-term NIS thousands	Short-term NIS thousands	Total NIS thousands
Gross premiums	32,486	142	* 32,628
Payments and change in liabilities with respect to insurance contracts, gross	16,531	(812)	15,719

* Consists primarily of policies issued to individuals.

Year ended December 31, 2021 (audited):

	Long-term NIS thousands	Short-term NIS thousands	Total NIS thousands
Gross premiums	126,898	16,235	* 143,133
Payments and change in liabilities with respect to insurance contracts, gross	67,841	8,201	76,042

* Consists primarily of policies issued to individuals.

Note 5 - Shareholders' Equity and Capital Requirements

A. Capital management and requirements

The policy of the Company is to maintain a strong capital base in order to ensure its solvency and its ability to meet its obligations to policyholders, to preserve the ability of the Company to continue its business activities and to generate yield to its shareholders. The Company is subject to the capital requirements stipulated by the Commissioner. The Board of Directors of the Company has set a target Solvency II-based solvency ratio of 130%.

B. Solvency II-based economic solvency regime

- On June 1, 2017, the Commissioner issued a circular on the provisions for implementing a Solvency II-based regime. The provisions of the circular are mostly based on the quantitative tier of the related European directive, adjusted for the Israeli market.
- On July 7, 2019, the Company received the Commissioner's approval of the audit of the capital ratio report that it had submitted pursuant to the guidelines, and is therefore no longer subject to the old Capital Regulations concerning the "minimum capital required" and now fully follows an economic solvency ratio regime.

Notes to the Condensed Interim Financial Statements

Note 5 - Shareholders' Equity and Capital Requirements (Cont'd)

B. Solvency II-based economic solvency regime (Cont'd)

3. The directives of the Commissioner prescribe, inter alia, transitional provisions that allow the gradual deployment of the capital requirements until December 31, 2024.
4. According to the Commissioner's guidelines from October 1, 2017 concerning dividend distributions, an insurance company that distributes a dividend is required to deliver to the Commissioner, within 20 business days of the date of distribution, all of the following:
 - An annual profit forecast for the two years following the dividend distribution date;
 - An updated debt service plan of the insurance company approved by the Company's Board of Directors, as well as an updated debt service plan of the holding company that holds the insurance company that was approved by the board of directors of the holding company;
 - An updated capital management plan approved by the Board of Directors of the insurance company, which also includes extensive reference to meeting the repayment ratio target set by the Board of Directors over time;
 - A copy of the minutes of the Board of Directors of the insurance company in which the distribution of the dividend was approved, together with the background material for the discussion.
5. According to the solvency ratio report as at December 31, 2021, the Company has surplus capital independent of the transitional provisions. See disclosure in Section 3 of the Directors' Report (Solvency II-Based Economic Solvency Regime in Insurance Companies).

Note 6 - Financial Instruments and Financial Risks

A. Fair value hierarchy:

The various levels of fair value are determined as follows:

- Level 1 – fair value measured by use of quoted prices (unadjusted) on an active market for identical instruments.
- Level 2 – fair value measured by using observable inputs, direct and indirect, which are not included in Level 1 above.
- Level 3 – fair value measured by using inputs that are not based on observable market data.

Fair value measurements of all of the Company's marketable financial investments (excluding non-marketable debt instruments) that are measured at fair value through profit or loss constitute Level 1 assets. Fair value measurements of non-marketable debt assets of the Company that are measured at depreciated cost and the fair value of which is presented for disclosure purposes only (see d(2) above), constitute Level 2.

Pursuant to the aforesaid, during the 3 months ended March 31, 2022, no fair value amounts in respect of financial assets were transferred into or out of the various levels of the hierarchy.

B. The fair value of financial assets and financial liabilities

- The carrying amounts of cash and cash equivalents, premiums collectible, accounts receivable, and accounts payable are identical or close to their fair values.
- For details on the fair value of financial investments, see c. below.

Notes to the Condensed Interim Financial Statements

Note 6 - Financial Instruments and Financial Risks (cont'd)

C. Composition of financial investments:

March 31, 2022 (unaudited)			
	Measured at fair value through profit or loss NIS thousands	Loans and receivables NIS thousands	Total NIS thousands
Marketable debt instruments (1)	1,848,944	-	1,848,944
Non-marketable debt instruments (2)	-	78,783	78,783
Other (3)	107,823	-	107,823
Total	1,956,767	78,783	2,035,550

March 31, 2021 (unaudited)			
	Measured at fair value through profit or loss NIS thousands	Loans and receivables NIS thousands	Total NIS thousands
Marketable debt instruments (1)	1,951,074	-	1,951,074
Non-marketable debt instruments (2)	-	77,580	77,580
Other (3)	106,406	-	106,406
Total	2,057,480	77,580	2,135,060

December 31, 2021 (audited)			
	Measured at fair value through profit or loss NIS thousands	Loans and Receivables NIS thousands	Total NIS thousands
Marketable debt instruments (1)	1,903,047	-	1,903,047
Non-marketable debt instruments (2)	-	83,086	83,086
Other (3)	108,370	-	108,370
Total	2,011,417	83,086	2,094,503

1. **Composition of marketable debt instruments** (designated upon initial recognition to the fair value through profit or loss category):

March 31, 2022 (Unaudited)	
Carrying amount NIS thousands	Amortized Cost NIS thousands
Government bonds	578,711
Other debt assets:	
other non-convertible debt assets	1,270,233
Total marketable debt assets	1,848,944

Notes to the Condensed Interim Financial Statements

Note 6 - Financial Instruments and Financial Risks (cont'd)

C. Composition of financial investments (cont'd):

1. **Composition of marketable debt instruments** (designated upon initial recognition to the fair value through profit or loss category) (cont'd):

value through profit or loss category)) (cont'd).

	March 31, 2021	
	(Unaudited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	741,714	705,831
<u>Other debt assets:</u>		
other non-convertible debt assets	1,209,360	1,178,367
Total marketable debt assets	1,951,074	1,884,198

	December 31, 2021	
	(Audited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	651,762	625,068
<u>Other debt assets:</u>		
other non-convertible debt assets	1,251,285	1,211,385
Total marketable debt assets	1,903,047	1,836,453

2. **Composition of non-marketable debt instruments:**

March 31, 2022	
(Unaudited)	
Carrying amount	Fair value
NIS thousands	NIS thousands
Bank deposits	786
Presented at amortized cost, excluding bank deposits	78,324
Total non-marketable debt assets	79,110

March 31, 2021	
(Unaudited)	
Carrying amount	Fair value
NIS thousands	NIS thousands
Bank deposits	930
Presented at amortized cost, excluding bank deposits	77,114
Total non-marketable debt assets	78,044

Notes to the Condensed Interim Financial Statements

Note 6 - Financial Instruments and Financial Risks (cont'd)

C. Composition of financial investments (cont'd):

2. Composition of non-marketable debt instruments (cont'd):

	December 31, 2021	
	(Audited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	798	967
Presented at amortized cost, excluding bank deposits	82,288	82,686
Total non-marketable debt assets	83,086	83,653

3) Composition of other financial investments (designated upon initial recognition to the fair value through profit or loss category):

	March 31, 2022	
	(Unaudited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	107,823	95,837

	March 31, 2021	
	(Unaudited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	106,406	95,837

	December 31, 2021	
	(Audited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	108,370	95,837

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities

There is a general exposure which cannot be evaluated or quantified resulting, inter alia, from the complexity of the services provided by the Company to its policy holders and the frequent changes in regulation. The complexity of these arrangements embodies, inter alia, the potential for arguments pertaining to a long series of commercial and regulatory conditions. It is impossible to anticipate in advance the types of arguments that might be raised in this field, and the exposure resulting from these and other contentions.

In addition, there is a general exposure due to complaints that are filed from time to time with various authorities, such as Supervision, concerning the rights of policy holders under insurance policies and/or the law. These complaints are handled on a current basis by those functions in the Company that oversee customer concerns. The rulings of the authorities on such complaints, to the extent that any ruling is made, are often given across the board. Additionally, in some cases the complaining parties even threaten to initiate legal proceedings in relation to their complaints, including in the form of a petition for certification a class action. At such preliminary stage, the development of such proceedings cannot be assessed and at any rate the potential exposure in their regard or the very initiation of such proceedings cannot be estimated. Accordingly, no provision was created for said exposure.

In the opinion of management of the Company, as to the chances of such proceedings, which is based on the opinion of its legal counsel, the provisions included in the financial statements, where necessary, are sufficient to cover damages from such claims. For proceedings that are at a preliminary stage and their chances cannot be estimated, no provision was included in the financial statements. If compromise is a possibility in any such proceedings, a provision was included in the amount of the potential compromise. The provision included in the financial statements is in an immaterial amount.

A. Motions to certify class actions

1. On June 9, 2016, a motion for certification of a class action was filed against the Company. The plaintiff claims that the Company did not pay salary and statutory employee benefits as legally required. The class action seeks a total of NIS 9,769 thousand.

The response of the Company to the motion to certify the claim as class action was filed on January 1, 2017. The plaintiffs filed a response on their behalf to the Company response dated June 1, 2017. Concurrently, the plaintiffs filed a motion for discovery of documents. On October 1, 2017, the Company filed its response to the motion for discovery.

A first pretrial hearing on the case was held on February 12, 2018.

The plaintiffs have filed a motion, at the consent of the Company, to stay the proceedings pending a ruling in an appeal that had been submitted to the High Court of Justice in relation to the ruling of the National Court in another case concerning overtime. On July 15, 2018, the proceedings have been suspended pending the ruling of the High Court of Justice. The High Court of Justice heard the appeal on November 25, 2020, but has not yet ruled.

In the opinion of management of the Company, which is based on the opinion of its legal counsel, at present, in view of the aforesaid ruling of the National Labor Court, the petition is more likely to be rejected than accepted.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

2. On January 8, 2017, a petition to certify a class action was filed against the Company and another insurance company (hereinafter: "the respondents").

The petition alleges the overcharging of policy holders and the breach of the enhanced duties of the insurance companies to their policy holders, as reflected in the ability to update age and/or years of driving experience when moving into another age and/or driving experience bracket, which entitle the policy holders to discounted insurance rates.

The claim amount for all class members is estimated at NIS 12,250 thousand. The amount of related to the Company is negligible.

On July 18, 2019, the court accepted the parties' joint motion for a procedural arrangement. Evidentiary hearings were held in October-November 2020. In March-May 2021, additional evidentiary hearings were held.

On June 28, 2021, the petitioners filed a motion for the amendment of the minutes of the evidentiary hearings held on April 22, 2021 and May 19, 2021. On July 11, 2021, the court accepted the motion.

On February 9, 2022, another evidentiary hearing was held in the case, in which the declarants on behalf of Menora Mivtachim Ltd. testified.

On March 3, 2022, petitioners 1-12 submitted an update notice to the court, pursuant to which, in February 2022 a ruling was issued in PC 48191-07-14 Litvinov vs. Clal, rejecting the motion to certify a class action. The notice also stated that the named plaintiff in the Litvinov vs. Clal case is planning to appeal the ruling to the Supreme Court. In addition, the notice states that the representative of the petitioners believes that it would be appropriate to suspend the proceedings here in the evidentiary hearing stage, pending a ruling by the Supreme Court on the expected appeal in the Litvinov vs. Clal case.

On March 10, 2022, the respondents submitted their response to the petitioners' notice. In their response, the respondents suggest that the upcoming evidentiary hearing will be converted into a pre-trial hearing, in which the update notice of petitioners 1-12 and the derivative issues will be discussed.

On March 16, 2022, the court ruled that the evidentiary hearing that was scheduled for March 20, 2022 will be converted into a pre-trial hearing in which the issue of the suspension of proceedings will be discussed.

A hearing concerning the suspension of proceedings was held on March 20, 2022. The court issued a ruling, suspending the proceedings in the case pending the issue of a ruling on the appeal in the case of Litvinov. The court ruled that these are not similar or identical matters, but noted that, at this stage, the ruling on the appeal that would be submitted has bearing on the proceedings and could have substantial implications on the furtherance of proceedings. Should the proceedings be renewed following the issue of a ruling by the Supreme Court and subject to such ruling, they would pick up from the point on which they were suspended, prior to the testimonies of the defense on behalf of the respondents and subject to necessary changes in light of the Supreme Court's ruling.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

2. (cont'd)

On April 26, 2022, the respondents submitted a notification, pursuant to which, on April 25, 2022, an appeal was filed with the Supreme Court regarding the Central District Court's ruling in CA 48191-07-14 Litvinov Vs. Clal Insurance Company Ltd.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, the petition to certify the claim as a class action is more likely to be rejected than accepted.

3. On January 16, 2020, a petition to certify a class action was filed against the Company and 3 other companies (hereinafter: "the respondents").

The petition alleges that the Company does not provide original windowpanes with Israeli accreditation to policyholders as stipulated in the terms of service concerning windowpanes.

On March 23, 2020, the petitioners submitted a notification, presenting to the respondents the details of the requested amendment to the certification petition that has been furnished to the respondents. On the same day, the court permitted the amendment of the certification petition on the basis of the petitioners' notification.

On March 23, 2020, the court accepted the petitioners' motion to amend the certification petition. On October 27, 2020, the Company submitted a statement of response to the certification petition. On December 16, 2020, the petitioners submitted their response to the respondents' response to the certification petition.

A court hearing was held on March 18, 2021. In the hearing it has been determined that the parties will consider, within 45 days, a possible amendment to the relevant clause in the service appendices towards the advancement understandings that will facilitate a consensual termination of the claim.

On July 13, 2021, the petitioners submitted an update notification, pursuant to which the discussions between the parties have not been successful. On October 4, 2021, a hearing was held to examine the reason for the parties' inability to reach understandings.

On November 2, 2021, the parties submitted another notice, informing the court that the discussions between the parties did not evolve into an understanding and, accordingly, requesting that the court rule on the motions concerning the discovery of documents and questionnaires and a motion to subpoena a witness for the presentation of documents.

On December 10, 2021, the court issued a ruling, rejecting substantially all of the motions. The Company was required by the court to answer two questions only and to attach the full agreement with Ilan Car Glass, with the commercial data redacted.

A hearing in the case has been scheduled for September 7, 2022.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, the motion is more likely to be rejected than accepted.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

4. On April 19, 2020, a petition to certify a class action was filed against the Company and 11 other companies. The petition alleges that the insurance companies continue to charge full payments and/or fail to refund monies to policy holders in vehicle insurance (compulsory, comprehensive and third party), while many vehicle owners are unable to use their vehicles as a result of the coronavirus crisis. The total amount claimed for all class members in relation to the Company is estimated at NIS 47,000 thousand.

On April 20, 2020, a ruling was given, pursuant to which perusal of the petition suggests that it does not address the personal insurance agreement between each of the class members and the respective insurance company, but rather relates to the general agreement between the entire Israeli population and all insurance companies. Accordingly, the court ordered the petitioners to clarify whether the petition relates to the personal insurance agreements between the class members and their respective insurance companies, or to an alleged general insurance agreement between all policy holders and all 12 insurance companies.

On April 26, 2020, the petitioners notified the court that they have become aware of the filing of two additional claims with two other courts, in connection with the same issues of fact and law. Accordingly, negotiations were held between the representatives of the parties in all three claims for the purpose of transferring the claims to a single court.

On April 27, 2020, the petitioners provided additional information, in conformity with the court's ruling from April 20, 2020.

On May 20, 2020, the petitioners filed a motion for a change of venue. On June 4, 2020, the court accepted the motion, transferring the case to the Tel Aviv Court. A hearing was scheduled for January 21, 2021.

Pursuant to the motion for clarifications submitted with regard to the topics that are to be discussed at the hearing, on October 12, 2020, the court responded that on the date of the scheduled hearing, the petition will be discussed in accordance with Section 7(B) of the Class Actions Law, 2006. The court also determined that responses to the certification petition are to be submitted by all the respondents within 90 days of a ruling on the petition in accordance with Section 7(B).

On January 11, 2021, in view of the increase in morbidity and the guidelines of the Courts Administration to avoid hearings with multiple participants, the court cancelled the hearing scheduled for January 21, 2021 and determined that a ruling will be issued in accordance with Section 7 of the Law - without a hearing.

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which the petitioners in this claim and in claim 6 below will be deliberated the claim jointly against all of the defendants that they have named and that were also named in claim 5 below concerning vehicle insurance policies. Additionally, claim 5 below, together with the accompanying motion to certify, is dismissed in relation to the vehicle insurance policies, other than in relation to defendant 13 - Libra Insurance Company Ltd. (which has not been named in this claim and in claim 6 below). Additionally, it has been determined that the plaintiff in claim 5 below may continue to pursue his claim concerning home contents insurance against all of the defendants that are named in his statement of claim.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

4. (cont'd)

On August 30, 2021, the respondents in CA 3510-04-20, Segal et al vs. Agricultural Insurance - Central Cooperative Society et al (hereinafter: "the Segal Matter") filed a consensual motion for the suspension of hearings until the issue of a peremptory ruling in CA 25472-04-20, CamaMia Textile Ltd. et al vs. Migdal Insurance Company Ltd. et al (hereinafter: "the CamaMia Matter") that is being deliberated at the Haifa District Court, which addresses similar issues to those of the aforesaid proceeding or, to the extent that the ruling is appealed to the Supreme Court - until a ruling is given in the appeal.

On October 5, 2021, the petitioners submitted their position on the motion to postpone the hearing. On October 19, 2021, the court ruled on the motion, ordering the suspension of proceedings in the case.

On November 5, 2021, the court issued a ruling, cancelling the hearing that had been scheduled for February 28, 2022, and determining that by said date the parties will submit a notice concerning the outcome of the parallel proceeding (the CamaMia Matter).

On December 6, 2021, the petitioners in the aforesaid proceeding (Nir petition) and in proceeding PC 19832-04-20 (Nachum petition) submitted a notice, informing the court that the representatives of the petitioners, who are also the petitioners in the CamaMia petition, have decided not to appeal the ruling in the CamaMia petition, which eliminates the need for the stay of proceedings in the Nir and Nachum petitions.

Accordingly, the parties submitted a procedural arrangement concerning the dates for the submission of the respondents' response and the petitioners' response to the responses as well as agreed dates for a pretrial hearing.

On April 8, 2022, the respondent submitted its response to the certification petition.

A pretrial hearing in all cases has been scheduled for July 18, 2022.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, the motion is more likely to be rejected than accepted.

5. On April 19, 2020, a petition to certify a class action was filed against the Company and 12 other companies (hereinafter: "the respondents").

The petition alleges that the insurance companies continue to charge full payments and/or fail to refund monies to policy holders in vehicle insurance (compulsory, comprehensive and third party) and in home contents insurance, despite the reduced risk in each of said policies as a result of the global coronavirus crisis. The remedies requested are: requiring the respondents to refund the premiums that they had charged due to the reduction in risk; and ordering the respondents to provide to the petitioners all the data and information that they hold, for the purpose of calculating the exact damage and obtaining appropriate compensation accordingly. The total amount claimed for all class members in relation to the Company is estimated at NIS 35,194 thousand.

On April 26, 2020, it was ruled that, prima facie, there is no justification for the filing of a single action against all defendants, even where the cause of claim is identical and/or similar. Accordingly, the petitioners are required to explain, by May 11, 2020, their reasons for not filing separate claims against each of the defendants. On May 7, 2020, the petitioners submitted their response to the court's question concerning the filing of separate certification petitions against each of the respondents. On May 12, 2020, the court ruled that the matter will be discussed at the pre-trial hearing.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

5. (cont'd)

On May 20, 2020, the petitioners in claim no. 4 above and in claim no. 6 below filed a motion for the change of venue in accordance with the provisions of Section 7(A) of the Class Actions Law, 2006.**Error! Reference source not found.** On June 3, 2020, the respondents submitted their response to the motion. On June 4, 2020, the court accepted the motion, transferring the case to the Tel Aviv Court, where this petition is now deliberated.

On June 22, 2020, the petitioners in claim no. 4 above and in claim no. 6 below filed a motion to withdraw. On July 21, 2020, the petitioners submitted a notification of their consent to a mediation proceeding.

On July 26, 2020, the respondents submitted their response to the motions of the petitioners in proceeding no. 4 above and in proceeding no. 6 below. On July 21, 2020, the petitioners in proceeding no. 4 above and in proceeding no. 6 below filed a motion for the setting of a single date for the submission of a response to the responses to the motion, which will not be later than August 5, 2020. On the same day, the court ruled and made a note to this effect.

On August 3, 2020, the respondents informed the court of their objection to the mediation proceeding.

On August 12, 2020, the petitioners in proceeding no. 4 above and in proceeding no. 6 below submitted their response to the responses to the motion.

Pursuant to the motion submitted by the respondents for clarifications on the topics that are to be discussed at the hearing scheduled for January 21, 2021, on October 12, 2020, the court responded that on the date of the scheduled hearing, the petition will be discussed in accordance with Section 7(B) of the Class Actions Law, 2006. The court also determined that responses to the certification petition are to be submitted by all the respondents within 90 days of a ruling on the petition in accordance with Section 7(B).

On January 11, 2021, in view of the increase in morbidity and the guidelines of the Courts Administration to avoid hearings with multiple participants, the court cancelled the hearing scheduled for January 21, 2021 and determined that a ruling will be issued in accordance with Section 7 of the Law - without a hearing.

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which proceeding no. 4 above and proceeding no. 6 below will be deliberated jointly against all of the defendants named in said proceedings that were also named in this claim concerning vehicle insurance policies. Additionally, the claim of the plaintiff in this claim, together with the accompanying motion to certify, is dismissed in relation to the vehicle insurance policies, other than in relation to defendant 13 - Libra Insurance Company Ltd. (which has not been named in proceeding no. 4 above and proceeding no. 6 below). Additionally, it has been determined that the petitioner in this claim may continue to pursue the proceeding concerning home contents insurance against all of the respondents named in the certification motion.

On April 6, 2021, a joint motion was filed for the certification of the claim as a class action. In April 2021, the respondents submitted their responses to the amendment of the motion to certify the class action.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

5. (cont'd)

On April 28, 2021, the petitioners submitted their response to the respondents' responses to the motion for permission to amend the motion to certify the class action.

At this preliminary stage of the claim, management of the Company and its legal counsel are still studying the matter and are of the opinion that, due to the preliminary stage of the claim, the chances of the certification petition cannot be estimated.

On June 8, 2021, the court rejected the motion to amend the certification petition and determined that the petitioners will bear the respondents' expenses in a total amount of NIS 39,000.

On August 30, 2021, the respondents in proceeding 3510-04-20 filed a consensual motion for the suspension of hearings until the issue of a peremptory ruling in proceeding 25472-04-20 that is being deliberated at the Haifa District Court, which addresses similar issues to those of the aforesaid proceeding or, to the extent that the ruling is appealed to the Supreme Court - until a ruling is given in the appeal.

On September 15, 2021, a consensual motion was filed by the parties for a suspension of proceedings.

On October 19, 2021, the court ruled on the motion, ordering the suspension of proceedings in the case.

On April 5, 2022, a consensual notification was submitted, pursuant to which, since the certification petition does not include a petitioner that had purchased a home contents insurance from the Company, the arguments in said proceeding concerning home contents insurance are not addressed at the Company and therefore it is not obligated to submit a response to the certification petition.

A pretrial hearing in all cases has been scheduled for July 18, 2022.

In the opinion of management of the Company, which is based on the opinion of its legal counsel, the petition is more likely to be rejected than accepted.

6. On April 20, 2020, a claim and a petition to certify it as a class action were filed against the Company and 7 other companies. These allege that the insurance companies continue to charge full payments and/or fail to refund monies to policy holders in vehicle insurance (compulsory, comprehensive and third party), while many vehicle owners are unable to use their vehicles as a result of the coronavirus crisis.

The remedy requested is to order the respondents to refund to the class members the premiums overpaid by them to the respondents, and to order the respondents to refund to the class members the proportion of premiums that would be over paid by them in relation to the actual insurance risk that will apply after the filing of the petition through to the issue of a final ruling. The total amount claimed for all class members in relation to the Company is estimated at NIS 37,285 thousand.

On May 20, 2020, the petitioners filed a motion for the change of venue in accordance with the provisions of Section 7(A) of the Class Actions Law, 2006. On June 3, 2020, the respondents submitted their response to the motion. On June 4, 2020, the court accepted the motion, transferring the case to the Tel Aviv Court.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

6. (cont'd)

Pursuant to the motion submitted by the respondents for clarifications on the topics that are to be discussed at the hearing scheduled for January 21, 2021. On October 12, 2020, the court responded that on the date of the scheduled hearing, the petition will be discussed in accordance with Section 7(B) of the Class Actions Law, 2006. The court also determined that responses to the certification petition are to be submitted by all the respondents within 90 days of a ruling on the petition in accordance with Section 7(B).

On January 11, 2021, in view of the increase in morbidity and the guidelines of the Courts Administration to avoid hearings with multiple participants, the court cancelled the hearing scheduled for January 21, 2021.

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which proceeding 4 above and this proceeding will be deliberated jointly against all of the defendants that they have named and that were also named in claim 5 above concerning vehicle insurance policies. Additionally, claim 5 above, together with the accompanying motion to certify, is dismissed in relation to the vehicle insurance policies, other than in relation to defendant 13 - Libra Insurance Company Ltd. (which has not been named in this claim and in claim 6 below). Additionally, it has been determined that the plaintiff in claim 5 below may continue to pursue his claim concerning home contents insurance against all of the defendants that are named in his statement of claim.

On August 30, 2021, the respondents in proceeding 3510-04-20 filed a consensual motion for the suspension of hearings until the issue of a peremptory ruling in proceeding 25472-04-20 that is being deliberated at the Haifa District Court, which addresses similar issues to those of the aforesaid proceeding or, to the extent that the ruling is appealed to the Supreme Court - until a ruling is given in the appeal.

On October 19, 2021, the court ruled on the motion, ordering the suspension of proceedings in the case.

On November 5, 2021, the court issued a ruling, cancelling the hearing that had been scheduled for February 28, 2022, and determining that by said date the parties will submit a notice concerning the outcome of the parallel proceeding (the CamaMia Matter).

On December 6, 2021, the petitioners in the aforesaid proceeding (Nachum petition) and in proceeding CA 16971-04-20 (Nir petition) submitted a notice, informing the court that the representatives of the petitioners, who are also the petitioners in the CamaMia petition, have decided not to appeal the ruling in the CamaMia petition, which eliminates the need for the stay of proceedings in the Nir and Nachum petitions.

On April 7, 2022, the respondent submitted its response to the certification petition.

A pretrial hearing in all cases has been scheduled for July 18, 2022.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, the motion is more likely to be rejected than accepted.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

7. On January 17, 2021, a petition to certify a class action was filed against the Company.

The petition alleges that the Company, as an insurance company that markets, inter alia, structural home insurance, automatically renews the home insurance policies of policy holders without obtaining their consent to the increased insurance premium.

In the petition, the petitioner estimates his personal damage at NIS 1,890 and the amount of the class action against the Company for all class members at more than NIS 2.5 million.

The petitioner is requesting a mandatory injunction for the Company to desist from unilaterally issuing insurance policies that contain a change compared to the previous policy that has been approved by the policy holder and/or where the policy holder has not approved the automatic renewal of the policy, ordering the Company to reimburse to its customers the amounts paid in excess as a result of the unilateral premium and/or deductible rises, unless they have received the policy holder's consent to the change in the policy.

The petitioner also requests that the Company be ordered to compensate the class members by an amount equal to its enrichment from the changes made to the policies of the class members and that the amount of enrichment will reflect the profits derived by the Company, less the reimbursement of amounts collected in excess, and would be linearly distributed among the class members.

On June 15, 2021, the respondent submitted its response to the certification petition. On July 19, 2021, a statement of response was submitted to the response on the certification petition.

On August 2, 2021, the respondent filed a motion, requesting that the court order the petitioner to amend (shorten) his response to the respondent's response in accordance with Regulation 2(G) of the Class Actions Law, 2010. On August 3, 2021, the court ruled on the motion, ordering the petitioner to submit an amended statement of response by September 12, 2021. On September 13, 2021, the petitioner submitted an amended statement of response.

In a hearing held on October 18, 2021 it was determined that, in the event that the parties are unable to reach understandings within 60 days, i.e. by December 19, 2021, the petitioner's representative would be permitted to file a discovery motion within another 30 days.

After several motions to extend, on March 8, 2022 the parties submitted an update notification, pursuant to which they are holding discussions in an attempt to conclude the proceeding outside the court, and requesting to submit an update to the court on the outcome of their discussions by June 8, 2022. On April 4, 2022, the court accepted the motion.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, at this stage the motion is more likely to be rejected than accepted.

8. On August 5, 2021, a claim and a motion to certify the claim as a class action have been filed against the Company.

The petitioner is a vehicle third party, whose car has been damaged by a vehicle that is insured by the Company. The claim alleges that, in instances where the damage is not actually repaired by the third party, the Company does not indemnify the third party for the full amount of the damage, as specified in the third party's appraiser's report.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

A. Motions to certify class actions (cont'd)

8. (cont'd)

The alleged personal damages amount is NIS 662.1, to which the petitioner requested to add cost of wasted time, trouble etc. The petitioner estimates the damages of the class at more than NIS 2.5 million (jurisdiction of the District Court).

The parties are formulating a plan, pursuant to which the Company will conduct an internal survey, the results of which will be examined by an agreed independent expert. The Company has submitted definitions for the performance of the examination and is awaiting the petitioner's position thereon.

A hearing in the case has been scheduled for December 27, 2022.

The risk will be estimated on the basis of the understandings that would be reached between the parties as regarding the format of the examination and the specification of the cases that would be included in the class.

9. On April 11, 2022, a civil appeal was filed on the ruling of the District Court that rejects a motion to certify a class action that had been submitted on January 16, 2018 against the Company and other insurance companies by the Civic Trust organization, alleging that the insurers refrain from paying their policyholders and/or third parties the VAT component that applies to the cost of the damages where the claimed damages have not been repaired in practice.

The appeal argues that the court was wrong to determine that the existence of a phenomenon of non-payment of VAT has not been proven; that the court was wrong in not giving weight to the respondents', including the Company, failure to respond with regard to vehicle insurance; that the court was wrong to determine that it is difficult to deliberate the arguments in a class action proceeding; that the court was wrong to determine that the appellant is not suitable as a named plaintiff; and that the court was wrong with regard to the period of limitations, where, according to the appellant, the relevant period is from the date of issue of the Supreme Court's ruling in Civil Appeal 17229/99 Zlucin vs. Diur La'Ole Ltd., issued on June 4, 2001, which determined that, even if no repairs were performed, the respondent (the injurer in that matter) is required to bear the VAT payment.

According to the court's ruling, the defendants are required to submit a response to the appeal by July 10, 2022. The case is scheduled to be heard at the Supreme Court on March 13, 2023.

In the opinion of management of the Company, which is based on the opinion of its legal counsel, the appeal is more likely to be rejected than accepted.

	Number of claims	The amount claimed - NIS thousands
Pending petitions for certification of class actions:		
Amount of claim specified	5	141,498
Amount of claim not specified	4	-
Total	9	141,498

B. Pending Claims - claims resolved during the reported period:

Notes to the Condensed Interim Financial Statements

1. On September 14, 2017, a petition for the certification of a class action was filed against 13 insurance companies, including the Company (hereinafter: “the respondents”). The petitioners claim that the respondents refrain from adding linkage differences and/or interest to amounts adjudicated by a judiciary instance, this in violation of Section 5(B) of the Adjudication of Interest and Linkage Law, 1961 (hereinafter: “the Law”). They argue that the Law determines that, where the debtor fails to pay it dent on time, the linkage differences, the regular interest and the arrears interest is to be added to such amount commencing on the date on which the debtor is obligated to pay the adjudicated debt through to the actual payment date.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

B. Pending Claims - claims resolved during the reported period (cont'd)

1. (cont'd)

The personal damage of the plaintiff against the Company is negligible. The petitioners, in the absence of precise data regarding the total damage relating to the Company, estimated it at tens of millions of shekels.

On October 10, 2018, the petitioners submitted their response to the Respondents' response to the motion to certify the claim as a class action.

On March 13, 2019, some of the respondents submitted their response, expressing their consent to the court's suggestion to refer the case to mediation. Several mediation sessions have been held since June 26, 2019.

On August 4, 2020, the parties submitted an update, informing the court that they have reached understandings concerning the remaining point of contention with respect the arrangement and requesting it to grant the parties a stay to formulate and submit the arrangement, which has been extended from time to time.

In a hearing held on March 7, 2021, the parties have been required to submit their position on several matters that were raised in the hearing.

On May 5, 2021, the parties submitted a notification concerning the amendment of the compromise arrangement. On the same day, the court ordered the parties to publish the notice on the submission of the motion to approve the compromise arrangement in three widely distributed newspapers and to deliver the notice to the Commissioner of the Capital Market, Insurance and Savings and to the Attorney General.

On May 11, 2021, notification was given of the filing of a affidavits by the respondents in support of the arrangement. On May 20, 2021, the court accepted the motion to approve the format of the notification concerning the approval of the compromise arrangement. On July 20, 2021, the parties submitted a notification to the court concerning the publication of the notice regarding the filing of the motion to approve a compromise arrangement in three newspapers.

On December 27, 2021, a hearing was held in a motion to approve a compromise arrangement, in which the court requested supplementary amendments to be made to the compromise arrangement, in the spirit of other amendments that had previously been requested.

On January 6, 2022, the parties submitted a notice on the submission of an amended compromise arrangement.

After several rounds of amendments and corrections to the proposed compromise arrangement, on February 6, 2022, a ruling was issued in approval of the compromise arrangement.

The compromise requires the respondents to take the following actions:

- (1) Amend the wording of the settlement notes to include a provision concerning the date of payment not exceeding 30 days;
- (2) Accept lawyers' confirmations as a substitute for transferring the original signed settlement note - i.e., the combination of a clear and legible scanned copy of the signed settlement note + a lawyer's confirmation on the settlement deed + the power of attorney signed by the injured party will serve as a substitute for an original copy of the settlement note.

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities - Class Action (cont'd)

B. Pending Claims - claims resolved during the reported period (cont'd)

1. (cont'd)

In addition, as prescribed by the court in the ruling, the definition of the class will be amended such that it will exclude anyone to whom monetary amounts have been adjudicated by a judicial authority based on a judicial ruling on the merits of the claim.

As regarding the compensation of the named plaintiff and its representatives, the Company will pay a total amount of NIS 47 thousand, of which NIS 4,000 as compensation to claimant 13 and NIS 43,000 as fees to the claimant's representatives.

The ruling requires the respondents to submit, by July 6, 2022, a report supported by a manager's affidavit concerning the fulfillment of the obligation under the compromise arrangement. In addition, the parties had an ad published in the newspapers concerning the approval of the compromise arrangement.

This claim did not have a material effect on the financial statements of the Company.

2. On December 31, 2019, a petition to certify a class action was filed against the Company and IMA. The petitioner, who had purchased an AIG Travel insurance policy from the Company and was injured during a ski vacation in France, alleges that the Company is in breach of its duties of disclosure to the customers, by failing to disclose that the policy does not include coverage for follow-up treatment in Israel; the petitioner argues that this is not specified in the policy (as an exclusion) and was also not disclosed to him verbally in his conversations with the IMA emergency call center operating on behalf of the Company. It is also alleged that the Company does not deliver the complete terms of the insurance policy to its policyholders.

The petitioner estimates his personal damage at NIS 35,000 and the damage for all class members (based on an estimated 20 cases per year, over seven years) at NIS 4,900,000 (alternatively, compensation of NIS 5 per day overseas for each of the policyholders - NIS 8,750,000). It has further been requested that the Company be required to provide proper disclosure regarding this coverage and to deliver the complete insurance policy to policyholders.

On November 18, 2020, the court approved a consensual procedural arrangement between the parties. Pursuant to the arrangement, the petitioner was permitted to add several documents to his claim and on December 15, 2020 the insurer submitted a supplementary response that addresses several of the claims raised in the petitioner's response. Within this framework, the parties also agreed to schedule a brief one-hour examination of each of the declarants.

In November 2021, before the evidentiary stage, an agreement has been reached, pursuant to which the petitioner withdraws the motion to certify a class action, with no adjudication of costs. On January 6, 2022, the court approved the withdrawal.