

AIG Israel Insurance Company Ltd

Interim Financial Report

(Unaudited)

As of September 30, 2021

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Directors' report
AIG Israel Insurance Company Ltd ("the Company")
for the period ended September 30, 2020

The directors' report on the business of the Company as of September 30, 2021 ("**the directors' report**"), reviews the Company and developments in its business in the first three quarters of 2021 ("**the reported period**"). The information in this report are as of September 30, 2021 ("**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**"). This directors' report was prepared assuming that the user is also holding the Company's 2020 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:

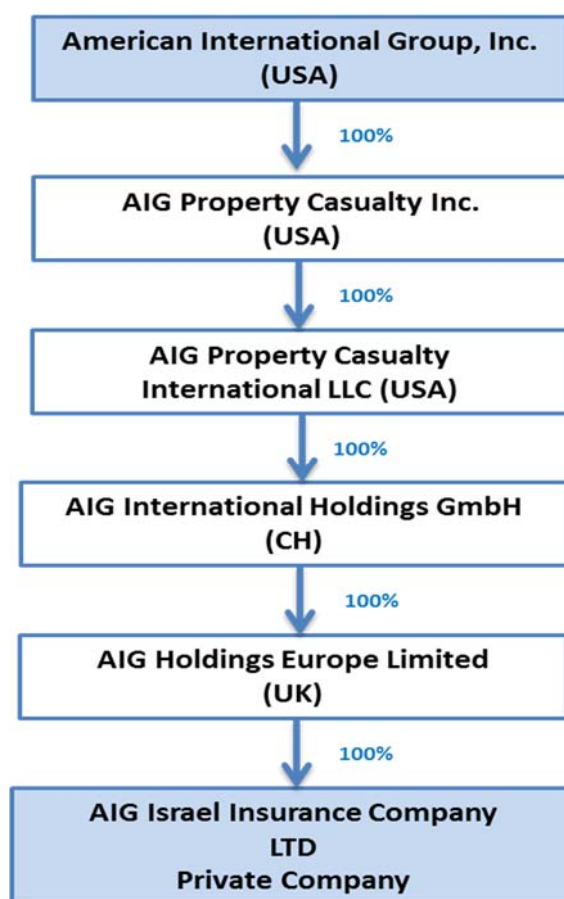
1.1 Organizational structure

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 sold 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 events in the reported period

The Coronavirus Event

In 2020, 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 the related actions taken by the Company, see Section 1 of the Board of Directors’ Report for 2020.

In the reported period, the Israeli government continued the nationwide vaccination campaign against the coronavirus, in an attempt to eradicate the pandemic and reduce morbidity rates. According to publications of the Ministry of Health, to the date of the report close to 6.2 million individuals in Israel have received the first dose of the vaccination, of which 5.7 million have also been administered the second dose, and 3.9 million of those individuals have been administered the third dose of the vaccine¹.

As of the date of publication of the report, the Israeli economy has resumed full activity under some restrictions and the employees of the Company work from the Company’s offices part of the time. To the date of publication of the report, the Company does not expect a material adverse effect on the underwriting results of the Company in 2021 as a result of the Coronavirus Event.

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

The assessments of the Company regarding the effects of the coronavirus on its business constitute forward-looking information, within its definition in the Securities Law, 1968. This information is based, inter alia, on assessments and estimates by management of the Company as at the publication date of this report, which rely on local and international publications on the topic and on the guidelines of the relevant authorities, the realization of which is uncertain and outside the control of the Company. As this is a global event of unusual proportions, which is outside the control of the Company, actual results may differ from the estimated results, including materially, as a result of various factors, including the continued spreading of the virus globally, additional outbreaks of the virus, further outbreaks of variants of the virus, the rate of vaccination of the general population and the efficacy of the vaccine.

¹ According to the website of the Israeli Ministry of Health, at: <https://datadashboard.health.gov.il/COVID-19/general>



2. Description of business environment:

General

In accordance with data published by the Capital Markets, Insurance and Savings 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 December 31, 2020, insurance fees from the general insurance business amounted to NIS 23,341 million; the share of the 5 largest insurance companies – Harel, Phoenix, Migdal, Menorah and Clal – was NIS 13,279 million, or 57% 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 2020 periodic report.

Developments in the company's macro-economic environment

Resolutions passed in Israel and worldwide to curb the spreading of the coronavirus and reduce morbidity rates significantly affect product and employment in Israel. Different sectors were affected to varying extents, and some sectors are experiencing a complete shutdown.

According to the most recent assessment published by the Bank of Israel², Israeli product is expected to grow by 7% and 5.5% in 2021 and 2022, respectively, concurrently with the reduction of the overall unemployment rate to 7.1% at the end of 2021 and 5.2% at the end of 2022. The rate of inflation is expected to reach 1.7% in the four following quarters (ending in the third quarter of 2022) and 1.6% in 2022.

To the date of the report, the Bank of Israel interest rate remains unchanged, at 0.1%³. According to the aforesaid forecast, the interest rate at the end of one year is expected to reach 0.25% / 0.1%

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 stock exchange:

	Jan-Sept. 2021	Jan- Sept. 2020	July- Sept. 2021	July- Sept. 2020	2020
Government bonds indexes					
General government bonds	0.6%	0.7%	0.7%	(0.8%)	1.2%
Linked government bonds	4.2%	(0.5%)	2.4%	(1.4%)	1.2%
NIS government bonds	(1.6%)	1.5%	(0.3%)	(0.4%)	1.3%
Corporate bonds indexes					
Tel Bond 60	6.5%	(3.2%)	2.5%	2.5%	(0.1%)
Tel Bond NIS	2.1%	(2.1%)	0.2%	4.6%	(0.1%)
Share indexes					
Tel-Aviv 125	18.6%	(16.8%)	5.3%	1.5%	(3.0%)
S&P 500	14.7%	4.1%	(0.3%)	8.5%	16.3%

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 2020 periodic report.

² The macroeconomic forecast of the Research Division from October 7, 2021.

³ According to the Monetary Committee's resolution from October 7, 2021.



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 prior periodic reports of the Company:

Circulars

- In August 2021, the Commissioner published an amendment to the circular concerning “Web-Based Interface for the Location of Insurance Products”. The amendment provides guidelines to insurance companies with regard to the functions that may be authorized to view the details of insurance candidates on “Har Habituach” website and to the manner of reporting to the Authority the identity of those functions that have been authorized by the insurance companies to view the details of insurance candidates on “Har Habituach” website.

Drafts

- In September 2021, the Commissioner published a draft amendment to the provisions of the consolidated circular concerning “Reports to the Commissioner of the Capital Markets - Own Risk and Solvency Assessment of an Insurance Company (ORSA)”. The draft proposes, inter alia, that insurance companies be required to report to the Commissioner annually on the own risk and solvency assessment, as performed by the company, and that such report would be used by the Authority to examine the risk management procedures in the insurance company, the means that it employs and their suitability for the risk management and for the risks that are inherent in its business.
- In September 2021, the Commissioner published a second draft amendment to the provisions of the consolidated circular concerning “Transfer of Funds to Reinsurers Outside Israel”. The purpose of the draft is to prescribe the conditions for the transfer of funds and for the obtaining of collateral from a reinsurer outside Israel for its share in the insurance obligations of the Israeli insurance companies. The draft proposes, inter alia, to prescribe the sole purposes for which an insurance company may transfer funds to a reinsurer outside Israel and the finite list of means by which such collaterals may be provided in favor of the insurance company.
- In September 2021, the Commissioner published a fourth draft update to the provisions of the consolidated circular concerning “Measurement - Professional Issues Concerning the Implementation of International Financial Reporting Standard (IFRS) No. 17 in Israel”. The fourth draft proposes the introduction of additional guidelines and the updating of professional issues based on the comments that were received on the prior drafts and subsequent talks with the insurance companies and various other functions in the insurance sector.
- In September 2021, the Commissioner published a second draft update to the FAQ file concerning the “Implementation of International Financial Reporting Standard (IFRS) No. 17 in Israel”. This draft clarifies the positions of the Authority on complex issues that have been identified and, to the extent possible, creates uniformity among the insurance companies in Israel, to allow comparability for analysis purposes.
- In October 2021, the Commissioner published an amendment to the Supervision of Financial Services (Insurance) (Terms of Basic Health Insurance Contracts), 2021. The draft addresses principal deficiencies in health insurance that have been identified by the Authority as part of its reviews, including a significant difficulty to compare between the various health insurance policies of the insurance companies, which hinders the ability of the policyholder to make an educated selection. The draft proposes the creation of a basic health insurance policy 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 October 2021, the Commissioner published a draft amendment to the provisions of the consolidated circular concerning “Formulation of a Health Insurance Plan”. The draft proposes, inter alia, that the definition of a basic health insurance policy will preclude the purchase of additional health insurance products until the purchase of the basic policy has been completed and that the sale of the additional products be conditional upon the existence of a basic insurance policy for the policyholder in any insurance company.



- In October 2021, the Commissioner published an amendment to the Supervision of Financial Services (Insurance) (Terms of Surgical Procedures and Non-Surgical Alternative Treatments in Israel Insurance Contracts), 2021. The draft proposes, inter alia, to allow an insurer to market an expansion to a surgical procedures policy, as described in the draft, and that the granting of a fixed discount on the insurance premiums for a minimum period of ten years shall be permissible.

Subrogation Arrangement with the National Insurance Institute of Israel:

The Economic Efficiency Law (Legislation Amendments for Obtaining the Budgetary Targets for 2019), 2018 (**"the Economic Efficiency Law for 2019"**) determines that the regulations will include a mechanism for the global settlement of accounts between the National Insurance Institute ("NII") and the insurance companies; however, as regulations in this regard have not been published, the aforementioned mechanism did not come into effect.

In July 2021, the Company entered into a new agreement with NII, whereby the negotiation and settlement mechanism that existed between the two prior to the publication of the Economic Efficiency Law for 2019 shall apply to past and future incidents relating to the years 2014-2022 ("2014-2022 Incidents"), subject to certain adjustments, such as extension of the statute of limitations by an additional year for claims under Section 328 of the National Insurance Law [Combined Version], 1995, in relation to incidents that took place in the years 2014-2016.

Additionally, as part of the aforesaid agreement, the Company has undertaken to transfer to NII an advance of NIS 31.4 million by the end of 2021 in respect of the 2014-2022 Incidents, this amount representing 4.06% of the amount of premiums collected in the compulsory insurance sector by the Company during the years 2014-2018.

The Economic Efficiency Law (Legislation Amendments for Obtaining the Budgetary Targets for Budget Years 2021 and 2022), 2021 from November, which contains, among others, an amendment to the Economic Efficiency Law for 2019, as above, determines that every insurance company will be required to transfer to Karnit a percentage of the insurance premiums (as defined) that it had collected in the preceding month, which will subsequently be transferred from Karnit to NII. The Law determines that, in the years 2023-2024, an amount equal to 10% of the insurance premiums collected by the insurance company will be transferred to NII, and commencing in 2025 and thereafter an amount equal to 10.95% of said insurance premiums will be transferred.

Compensation of Victims of Road Accidents Order:

In August 2021, the Compensation of Victims of Road Accidents Order (Financing the Cost of the Provision of Services), 2021 was published, pursuant to which, commencing in January 2022, every insurance company will transfer to Karnit 12.66% of the insurance premiums collected by the insurance company in the preceding month for all of the policies that it has issued by virtue of the Motor Vehicle Insurance Order [New Version], 1970.



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

Following are principal balance sheet data (NIS thousands):

	<u>September 30,</u> <u>2021</u>	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2020</u>
Other assets	361,365	307,696	306,739
Deferred acquisition expenses	177,291	163,163	160,629
Financial investments and cash	2,166,863	2,043,661	2,126,639
Reinsurance assets	807,973	754,201	719,164
Total assets	3,513,492	3,268,721	3,313,171
Equity	915,351	911,281	955,981
Liabilities in respect of insurance contracts	2,162,397	1,975,203	1,926,644
Other liabilities	435,744	382,237	430,546
Total equity and liabilities	3,513,492	3,268,721	3,313,171

Following are principal comprehensive income data (NIS thousands)

	<u>Jan-Sept.</u> <u>2021</u>	<u>Jan-Sept.</u> <u>2021</u>	<u>July-Sept.</u> <u>2021</u>	<u>July-Sept.</u> <u>2020</u>	<u>Jan-</u> <u>December</u> <u>2020</u>
Gross earned premiums	866,301	857,872	298,474	282,839	1,136,788
Premiums earned by reinsurers	(139,846)	(134,381)	(49,234)	(38,735)	(179,353)
Premiums earned in retention	726,455	723,491	249,240	244,104	957,435
Gains (losses) on investments, net and financing income	65,136	(47,306)	19,292	36,577	(15,930)
Income from commissions	36,950	35,247	12,876	10,001	46,725
Total revenue	828,541	711,432	281,408	290,682	988,230
Payments and change in liability for insurance contracts, in retention	(511,737)	(383,126)	(194,687)	(123,125)	(514,404)
Total other expenses	(225,744)	(237,408)	(77,101)	(72,455)	(314,508)
Income before taxes on income	91,060	90,898	9,620	95,102	159,318
Taxes on income	(31,690)	(31,839)	(3,520)	(32,698)	(55,559)
Income for the period and total comprehensive income for the period	59,370	59,059	6,100	62,404	103,759

Capital and capital requirements

As at September 30, 2021, equity amounted to NIS 915.4 million, as compared to NIS 956.0 million as at December 31, 2020. The change in equity in the reported period is due to a comprehensive income of NIS 59.4 million for the period, less a dividend of NIS 100 million paid on July 20, 2021.

For information on the distribution of a dividend in an amount of NIS 100 million on July 20, 2021, see note 5c to the financial statements.

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 2020.

Presented below are data concerning solvency ratio and MCR:

a. Solvency ratio (NIS thousands):

	December 31, 2020	December 31, 2019
Equity for purposes of solvency capital requirement	1,126,734	1,032,523
Solvency capital requirement in deployment period	530,187	519,055
Surplus in the deployment period	* 596,547	513,468
Solvency ratio as at the date of the report (%)	* 213%	199%

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.

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

	December 31, 2020	December 31, 2019
Minimum capital requirement (MCR)	180,552	180,321
Equity for purposes of MCR	1,126,734	1,032,523

Economic solvency ratio, eliminating the implementation of the transitional provisions for the Deployment Period and the equity risk scenario adjustments (NIS thousands):

	December 31, 2020	December 31, 2019
Own funds for SCR purposes	1,126,734	1,032,523
SCR	669,527	701,972
Surplus	* 457,207	330,551
Economic Solvency Ratio (%)	* 168%	147%
Surplus in relation to the Board's target:		
Target solvency ratio of the Board (%)	* 130%	130%
Surplus in relation to the target	* 256,349	119,959

* As mentioned above, on July 20, 2021, following the publication of the solvency ratio, the Company announced the distribution of a dividend in an amount of NIS 100 million. This distribution reduces the surplus presented above.

The calculations performed by the Company as at December 31, 2020 and December 31, 2019 were 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, 2020 posted on the Company's website: <https://www.aig.co.il/about/repayment-ratio>.

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.

The information that is provided in this section above constitutes forward-looking information, 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

In the reporting period, the Company continued to increase the volume of gross premiums, which grew by 8.4% over their volume in the corresponding period. The Company's total gross premiums amounted to NIS 949 million in the reporting period, as compared to NIS 875 million in the corresponding period in 2020. The increase in gross premiums originates mainly in the vehicle property insurance, compulsory vehicle insurance and commercial insurance sectors.

Total premiums in retention amounted to NIS 788 million in the reported period, as compared to NIS 748 million in the corresponding period in 2020, an increase of 5.3%. The increase in premiums in retention stems mainly from the vehicle property insurance and the compulsory vehicle insurance sectors.

Premiums by principal operating segments (NIS thousands):

Jan-September 2021	Life insurance	Health insurance	General insurance	Total
Gross	112,090	105,934	730,670	948,694
In retention	90,240	103,922	593,363	787,525
% of total gross	11.8	11.2	77.0	100.0
% of retention	11.5	13.2	75.3	100.0

Jan-September 2020	Life insurance	Health insurance	General insurance	Total
Gross	112,345	115,261	647,852	875,458
In retention	97,470	113,170	537,299	747,939
% of total gross	12.8	13.2	74.0	100.0
% of retention	13.0	15.1	71.9	100.0

Jan-December 2020	Life insurance	Health insurance	General insurance	Total
Gross	149,845	149,568	829,769	1,129,182
In retention	127,906	146,782	687,627	962,315
% of total gross	13.3	13.2	73.5	100.0
% of retention	13.3	15.3	71.4	100.0



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

	Jan-Sept. 2021	Jan-Sept. 2020	July-Sept. 2021	July-Sept. 2020	Jan-Dec 2020
Income (loss) from compulsory vehicle insurance	(17,679)	1,141	(6,898)	17,274	(22,250)
Income (loss) from vehicle property insurance	9,202	48,780	(8,414)	24,883	70,663
Income from home insurance	22,633	13,637	5,708	11,009	30,963
Income from health insurance	16,393	18,050	5,625	6,701	37,296
Income from life insurance	16,575	36,967	4,026	15,411	46,225
Income (loss) from commercial insurance	10,227	(2,393)	4,469	6,317	7,928
Other - Income (loss) not allocated to any segment	33,709	(25,284)	5,104	13,507	(11,507)
Income before taxes on income	91,060	90,898	9,620	95,102	159,318
Taxes on income	(31,690)	(31,839)	(3,520)	(32,698)	(55,559)
Income for the period and total comprehensive income for the period	59,370	59,059	6,100	62,404	103,759

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:

- The comprehensive income of the Company amounted to NIS 59.4 million in the reported period, as compared to a comprehensive income of NIS 59.1 million in the corresponding period in 2020. Pre-tax profit in the reported period amounted to NIS 91.1 million, as compared to profit of 90.9 million in the corresponding period in 2020. The Company's comprehensive income in the reported period was due to gains on investments, as compared to material losses in the corresponding period in 2020 as a result of the Coronavirus Event (see section 1.3 above and section b. below). The underwriting profit of the Company decreased significantly in the reported period and amounted to NIS 23.2 million, as compared to NIS 138.1 million in the corresponding period in 2020. This significant decrease in the underwriting profit was due to the substantially higher claims' ratios in the compulsory vehicle insurance, vehicle property insurance and life insurance sectors.

The comprehensive income of the Company in the third quarter was NIS 6.1 million, as compared to comprehensive income of NIS 62.4 million in the corresponding period in 2020. Pre-tax profit totalled NIS 9.6 million, as compared to NIS 95.1 million in the corresponding quarter in 2020. The underwriting loss of the Company in the third quarter of 2021 amounted to NIS 10.0 million, as compared to profit of NIS 57.4 million in the corresponding quarter in 2020. This significant decrease in the underwriting profit was due mainly to the substantially higher claims' ratios in the compulsory vehicle insurance, vehicle property insurance and life insurance sectors.

- Net gains on investments amounted to NIS 65.1 million in the reported period, as compared to losses on investments of NIS 47.3 million in the corresponding period in 2020. The transition from losses on investments in the corresponding period in 2020 to gains on investments in the reported period was due to rises in the prices of corporate bonds and share indexes in the reported period, as compared to sharp drops on the Israeli capital market and in global financial markets in the corresponding period in 2020 as a result of the Coronavirus Event (see section 2 above).
- The loss of the Company from compulsory vehicle insurance amounted to NIS 17.7 million in the reported period, as compared to profit of NIS 1.1 million in the corresponding period in 2020. The transition from profit in the corresponding period in 2020 to loss in the reported period was due a significant increase in the



claims' ratio that stemmed from an ongoing increase in the insurance liabilities as a result of the reduction in the negative interest curve and an increase of 2.2% in the consumer price index in the reporting period, as compared to a 0.6% reduction in the index in the corresponding period in 2020. In the reported period, the insurance liabilities increased by NIS 23 million as a result of the negative interest curve.

The loss of the Company from compulsory vehicle insurance in the third quarter was NIS 6.9 million, as compared to profit of NIS 17.3 million in the corresponding period in 2020. The transition to loss was due to the higher claims' ratio and more notably to a further increase in the insurance liabilities as a result of an additional reduction in the negative interest curve and the significant rise in the consumer price index, as described above. Additionally, in the third quarter of 2020, the insurance liabilities in the compulsory vehicle insurance segment decreased by NIS 5.7 million as a result of the Supreme Court's ruling on the discount rate applicable to annuities in claims filed by NII.

- d. The profit from vehicle property insurance in the reported period was NIS 9.2 million, as compared to profit of NIS 48.8 million in the corresponding period in 2020. The underwriting profit of the Company from vehicle property insurance amounted to NIS 3.1 million in the reported period, as compared to profit of NIS 52.7 million in the corresponding period in 2020. The significant decrease in the underwriting profit was due to the substantial rise in the claims' ratio. This rise results from the constant erosion of the average premium in the sector due to the intense competition. Additionally, the claims' ratio in the corresponding period of 2020 was particularly low, due to the lower frequency of accidents as a result of the Coronavirus Event and the ensuing lockdowns. In the reporting period, the frequency of road accidents increased significantly, to the levels recorded prior to the Coronavirus Event. As a result of the significant increase in the claims' ratio during the reporting period, the Company created a provision of NIS 5.0 million for short premiums.

The loss of the Company from vehicle property insurance in the third quarter of 2021 was NIS 8.4 million, as compared to profit of NIS 24.9 million in the corresponding period in 2020. The underwriting loss of the Company from vehicle property insurance in the third quarter was NIS 11.0 million, as compared to profit of NIS 20.3 million in the corresponding period in 2020. The significant decrease in the underwriting profit was due to the substantial rise in the claims' ratio, as described above.

- e. The profit of the Company from home insurance amounted to NIS 22.6 million in the reported period, as compared to profit of NIS 13.6 million in the corresponding period in 2020. The increase in profit was due to the improvement in gains on investments and in the underwriting profit. The underwriting profit of the Company from home insurance amounted to NIS 19.7 million in the reporting period, as compared to profit of NIS 14.9 million in the corresponding period in 2020. The increase in the underwriting profit in the reporting period was due to the reduction in the claims' ratio.

The profit of the Company from home insurance in the third quarter of 2021 was NIS 5.7 million, as compared to profit of NIS 11.0 million in the corresponding period in 2020. The underwriting profit of the Company from home insurance in the third quarter was NIS 4.4 million, as compared to NIS 8.9 million in the corresponding period in 2020. The decrease in the underwriting profit was due to the significantly higher claims' ratio.

- f. The profit of the Company from health insurance amounted to NIS 16.4 million in the reporting period, as compared to profit of NIS 18.1 million in the corresponding period in 2020. The underwriting profit from health insurance in the reporting period was NIS 14.4 million, as compared to profit of NIS 19.8 million in the corresponding period in 2020. The decrease in the underwriting profit in the reporting period was due to a reduction in the premiums earned and to the higher claims' ratio in the personal accidents sector.

The profit from health insurance in the third quarter was NIS 5.6 million, as compared to NIS 6.7 million in the corresponding period last year. The underwriting profit was NIS 4.8 million, as compared to profit of NIS 4.9 million in the corresponding period in 2020.

- g. The profit of the Company from life insurance in the reporting period was NIS 16.6 million, as compared to profit of NIS 37.0 million in the corresponding period in 2020. The decrease in profit was due mainly to the higher claims' ratio.

The profit of the Company from life insurance in the third quarter of 2021 was NIS 4.0 million, as compared to NIS 15.4 million in the corresponding period last year. The decrease in profit was due mainly to the higher claims' ratio and the reduction in premiums earned.



- h. The profit of the Company from professional liability insurance in the reporting period was NIS 8.6 million, as compared to NIS 0.1 million in the corresponding period in 2020. The significant increase in profit was due to the improvement in the gains on investments in the period.

The underwriting profit of the Company from professional liability insurance in the third quarter of 2021 was NIS 4.6 million, as compared to profit of NIS 4.3 million in the corresponding period last year.

- i. The profit of the Company from other property insurance amounted to NIS 2.1 million in the reported period, as compared to loss of NIS 1.5 million in the corresponding period in 2020. The transition from loss in the corresponding period in 2020 to profit in the reported period was due an improvement in gains on investments and in the underwriting profit. The underwriting profit of the Company from other property insurance in the reported period was NIS 1.7 million, as compared to loss of NIS 1.1 million in the corresponding period in 2020. The transition from underwriting loss in the corresponding period to underwriting profit in the reporting period is due to the higher output.

The profit of the Company from other property insurance in the third quarter of 2021 was NIS 0.9 million, as compared to loss of NIS 33 thousand in the corresponding period last year. The underwriting profit of the Company from other property insurance in the third quarter was NIS 0.7 million, as compared to loss of NIS 0.5 million in the corresponding period in 2020. The transition from underwriting loss in the corresponding period to underwriting profit in the reporting period is due to the higher output.

- j. The profit of the Company from other liability insurance in the reported period was NIS 0.5 million, as compared to loss of NIS 1.1 million in the corresponding period in 2020.

The loss from other liability insurance in the third quarter of 2021 was NIS 0.9 million, as compared to profit of NIS 2.1 million in the corresponding period last year. The transition to loss was due to the higher claims' ratio.



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

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

	Jan-Sept. 2021	Jan- Sept. 2020	July-Sept. 2021	July-Sept. 2020	Jan-Dec 2020
Vehicle property	3,068	52,700	(11,042)	20,308	71,329
Home	19,702	14,909	4,394	8,880	30,692
Other property sectors	1,672	(1,090)	703	(499)	(185)

b. Principal data regarding the claims' ratio⁴ (Loss Ratio "LR") and the claims' and expenses' ratio (Combined Ratio "CR"):

	Jan-Sept. 2021		Jan- Sept. 2020		Jan-Dec 2020	
	LR%	CR%	LR%	CR%	LR%	CR%
<u>Vehicle property:</u>						
Gross	77%	99%	59%	81%	58%	81%
In retention	77%	99%	59%	81%	58%	81%
<u>Property⁵:</u>						
Gross	45%	74%	62%	92%	52%	81%
In retention *	43%	76%	50%	84%	40%	74%

	7-9.2021		7-9.2020	
	LR%	CR%	LR%	CR%
<u>Vehicle property:</u>				
Gross	89%	111%	57%	78%
In retention	89%	111%	57%	78%
<u>Property⁵:</u>				
Gross	53%	80%	36%	65%
In retention	60%	60%	39%	72%

5. Cash flows and liquidity

Net cash provided by operating activities in the reported period was NIS 93.0 million, compared to NIS 18.4 million in the corresponding period in 2020.

Net cash used in investing activities in the reported period amounted to NIS 9.6 million, compared to NIS 11.8 million in the corresponding period in 2020.

As a result of the above, the balance of cash and cash equivalents in the reported period decreased by NIS 21.7 million and amounted to NIS 73.7 million as at September 30, 2021.

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 subsequent events

For information on the progress of the Coronavirus Event and its impact on the business of the Company, see section 1.3 above.

⁴ 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.

⁵ Home and other property sectors.



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 September 30, 2021, 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

November 23, 2021



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 September 30, 2021 (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 material effect or is expected to have a material effect on the insurance company's internal controls over financial reporting; and

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

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

November 23, 2021



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 September 30, 2021 (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 material effect or is expected to have a material effect on the insurance company's internal controls over financial reporting; and

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

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

November 23, 2021



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 September 30, 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 September 30, 2021 the internal control of the Insurance Company over financial reporting is effective.

Mr. Edward Levin
Chairman of the Board

Mrs. Yfat Reiter
CEO

Mr. David Rothstein
CFO

Date of approval of financial statements: November 23, 2021

AIG Israel Insurance Company Ltd.

**Interim Financial Information
(Unaudited)
As at September 30, 2021**

Interim Financial Information as at September 30, 2021 (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 September 30, 2021 and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine- and three-month periods ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the financial information for those interim periods 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 those interim periods, 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.)

November 23, 2021

Condensed Interim Statements of Financial Position as at

	September 30, 2021	September 30, 2020	December 31, 2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets:			
Intangible assets	25,054	24,861	25,698
Deferred acquisition costs	177,291	163,163	160,629
Property and equipment	27,211	32,543	33,329
Reinsurance assets	807,973	754,201	719,164
Premiums collectible	211,300	185,256	170,119
Current tax assets	53,228	-	5,230
Deferred tax assets, net	-	18,193	-
Other receivables	44,572	46,843	72,363
	<u>1,346,629</u>	<u>1,225,060</u>	<u>1,186,532</u>
Financial investments:			
Marketable debt instruments	1,911,503	1,822,083	1,851,550
Non-marketable debt instruments	72,441	74,513	83,903
Other	107,184	86,309	93,782
Total financial investments	<u>2,091,128</u>	<u>1,982,905</u>	<u>2,029,235</u>
Cash and cash equivalents	<u>75,735</u>	<u>60,756</u>	<u>97,404</u>
Total assets	<u><u>3,513,492</u></u>	<u><u>3,268,721</u></u>	<u><u>3,313,171</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 information by the Board of Directors of the Company: November 23, 2021

Condensed Interim Statements of Financial Position as at

	September 30, 2021	September 30, 2020	December 31, 2020
	(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
Capital reserves	15,708	15,708	15,708
Retained earnings	649,036	644,966	689,666
Total equity attributable to the equity holders of the Company	915,351	911,281	955,981
Liabilities:			
Liabilities in respect of insurance contracts and investment contracts that are not yield dependent	2,162,397	1,975,203	1,926,644
Liabilities in respect of deferred taxes, net	19,888	-	2,664
Retirement benefit obligation, net	5,057	5,429	5,007
Liabilities to reinsurers	308,569	263,847	294,061
Liabilities in respect of current taxes	-	3,290	-
Other payables	102,230	109,671	128,814
Total liabilities	2,598,141	2,357,440	2,357,190
Total equity and liabilities	3,513,492	3,268,721	3,313,171

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

Condensed Interim Statements of Profit or Loss and Other Comprehensive Income

	9-month period ended September 30		3-month period ended September 30		Year ended December 31, 2020
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Gross earned premiums	866,301	857,872	298,474	282,839	1,136,788
Premiums earned by reinsurers	(139,846)	(134,381)	(49,234)	(38,735)	(179,353)
Premiums earned in retention	726,455	723,491	249,240	244,104	957,435
Gains (losses) on investments, net and financing income	65,136	(47,306)	19,292	36,577	(15,930)
Commission income	36,950	35,247	12,876	10,001	46,725
Total income	828,541	711,432	281,408	290,682	988,230
Payments and change in liabilities with respect to insurance contracts, gross	(642,051)	(531,471)	(245,121)	(206,071)	(671,169)
Share of reinsurers in the change of insurance liabilities and in payments for insurance contracts	130,314	148,345	50,434	82,946	156,765
Payments and change in liabilities with respect to insurance contracts, in retention	(511,737)	(383,126)	(194,687)	(123,125)	(514,404)
Commissions, marketing expenses and other acquisition costs	(170,947)	(172,211)	(58,320)	(54,125)	(231,625)
General and administrative expenses	(57,513)	(65,270)	(19,080)	(19,454)	(81,784)
Financing income (expenses)	2,716	73	299	1,124	(1,099)
Total expenses	(737,481)	(620,534)	(271,788)	(195,580)	(828,912)
Income before taxes on income	91,060	90,898	9,620	95,102	159,318
Taxes on income	(31,690)	(31,839)	(3,520)	(32,698)	(55,559)
Income for the period and total comprehensive income for the period	59,370	59,059	6,100	62,404	103,759
Basic earnings per share:					
Basic earnings per share (NIS thousands)	10.36	10.31	1.06	10.89	18.11
Number of shares used in calculating basic earnings per share	5,730	5,730	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				
Balance as of January 1, 2021 (Audited)	6	250,601	15,708	689,666	955,981
Total Comprehensive income for the 9-month period ended September 31, 2021				59,370	59,370
Balance as at September 30, 2021 (Unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>649,036</u>	<u>915,351</u>
Balance as at January 1, 2020 (Unaudited)	6	250,601	15,708	585,907	852,222
Total comprehensive income for the 9-month period ended September 30, 2020				59,059	59,059
Balance as at September 30, 2020 (Unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>644,966</u>	<u>911,281</u>
Balance as at July 1, 2021 (unaudited)	6	250,601	15,708	742,936	1,009,251
Total comprehensive income for the 3-month period ended September 30, 2021				6,100	6,100
Dividend				(100,000)	(100,000)
Balance as at September 30, 2021 (Unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>649,036</u>	<u>915,351</u>

Condensed Interim Statements of Changes in Equity

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	<u>NIS thousands</u>				
Balance as at July 1, 2020 (unaudited)	6	250,601	15,708	582,562	848,877
Total comprehensive income for the 3-month period ended September 30, 2020				62,404	62,404
Balance as at September 30, 2020 (Unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>644,966</u>	<u>911,281</u>
Balance as at January 1, 2020 (audited)	6	250,601	15,708	585,907	852,222
Total comprehensive income the year				103,759	103,759
Balance as of December 31, 2020 (audited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>689,666</u>	<u>955,981</u>

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

Condensed Interim Statements of Cash Flows

	9-month period ended September 30		3-month period ended September 30		Year ended December 31,
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS	NIS	NIS	NIS	NIS
	thousands	thousands	thousands	thousands	thousands
Cash flows from operating activities:					
Net cash provided by (used in) operations (Appendix A)	144,139	44,530	99,014	(8,202)	88,229
Interest paid	(307)	(387)	(96)	(123)	(502)
Interest received	44,181	44,616	12,974	14,040	55,954
Income taxes paid	(105,034)	(79,201)	(21,747)	(16,500)	(89,411)
Income taxes received	9,979	8,844	-	-	8,844
Net cash provided by (used in) operating activities	92,958	18,402	90,145	(10,785)	63,114
Cash flow from investing activities:					
Acquisition of property and equipment	(695)	(2,011)	(91)	(371)	(5,167)
Acquisition of intangible assets	(8,891)	(9,786)	(3,468)	(4,363)	(13,932)
Net cash used in investing activities	(9,586)	(11,797)	(3,559)	(4,734)	(19,099)
Cash flow from financing activities:					
Dividend paid to the equity holders of the Company	(100,000)	-	(100,000)	-	-
Repayment of principal of lease liability	(4,036)	(3,956)	(1,352)	(1,325)	(5,287)
Net cash used in financing activities	(104,036)	(3,956)	(101,652)	(1,325)	(5,287)
Impact of exchange rate fluctuations on cash and cash equivalent balances	(1,005)	109	200	(228)	678
Increase (decrease) in cash and cash equivalents	(21,669)	2,758	(14,566)	(17,072)	39,406
Cash and cash equivalents at beginning of period	97,404	57,998	90,301	77,828	57,998
Cash and cash equivalents at end of period	75,735	60,756	75,735	60,756	97,404

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

Condensed Interim Statements of Cash Flows

	9-month period ended September 30		3-month period ended September 30		Year ended December 31,
	2021	2020	2021	2020	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS	NIS	NIS	NIS	NIS
	thousands	thousands	thousands	thousands	thousands
Appendix A - cash flows from operating activity:					
Income for the period	59,370	59,059	6,100	62,404	103,759
Adjustments for:					
Income and expenses not involving cash flows:					
Change in liabilities for insurance contracts that are not yield dependent	235,753	70,997	98,556	38,154	22,438
Change in reinsurance assets	(88,809)	(53,016)	(32,812)	(46,461)	(17,979)
Change in deferred acquisition costs	(16,662)	(5,777)	(4,752)	(2,533)	(3,243)
Taxes on Income	31,690	31,839	3,520	32,698	55,559
Change in retirement benefit obligations, net	50	150	-	-	(272)
Depreciation of property and equipment	6,813	6,844	2,265	2,278	9,214
Amortization of intangible assets	9,535	16,647	3,333	2,899	19,956
Losses (gains), net, on financial investments:					
Marketable debt instruments	(9,434)	78,195	(8,442)	(20,783)	65,028
Non-marketable debt instruments	8,485	4,925	3,581	67	(4,486)
Marketable ETNs	(13,402)	13,428	1,613	(1,590)	5,826
Impact of fluctuation in exchange rate on cash and cash equivalents	1,005	(109)	(200)	228	(678)
	<u>165,024</u>	<u>164,123</u>	<u>66,662</u>	<u>4,957</u>	<u>151,363</u>
Changes in assets and liabilities:					
Liabilities to reinsurers	14,508	(14,664)	14,473	(2,093)	15,550
Investments in financial assets, net	(47,545)	(93,286)	50,437	(65,007)	(109,436)
Premiums collectible	(41,181)	(6,351)	(13,587)	(99)	8,786
Other receivables	27,791	(5,413)	(92)	4,203	(30,933)
Other payables	(22,548)	(14,707)	(9,690)	1,350	5,767
Current tax liability	32,594	(2)	(2,411)	-	(1,175)
	<u>(36,381)</u>	<u>(134,423)</u>	<u>39,130</u>	<u>(61,646)</u>	<u>(111,441)</u>
Adjustments for interest and dividend:					
Interest paid	307	387	96	123	502
Interest received	(44,181)	(44,616)	(12,974)	(14,040)	(55,954)
	<u>(43,874)</u>	<u>(44,229)</u>	<u>(12,878)</u>	<u>(13,917)</u>	<u>(55,452)</u>
Net cash provided by (used in) operations	<u>144,139</u>	<u>44,530</u>	<u>99,014</u>	<u>(8,202)</u>	<u>88,229</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 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 related 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. Shareholders' Equity Regulations - The Supervision of Insurance Business Regulations (minimum shareholders' equity required from an insurer), 1998 and amendments as amended.
7. 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.
8. Liability for insurance contracts - Insurance reserves and outstanding claims.
9. Premiums - Premiums including fees and proceeds for related services
10. Premiums earned - premiums that relate to the reporting period.

Notes to the Condensed Financial Statements

Note 1 – General (cont'd):

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

The Coronavirus Event

In 2020, 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. Additional information on the effects of the Coronavirus Event in 2020 and the related actions taken by the Company are provided in section 1 of the Directors’ report for 2020.

In the reporting period, the Israeli government continued the nationwide vaccination campaign against the coronavirus, in an attempt to eradicate the pandemic and reduce morbidity rates. According to publications of the Ministry of Health, to the date of the report close to 6.2 million individuals in Israel have received the first dose of the vaccination, of which 5.7 million have also been administered the second dose, and 3.9 million of those individuals have been administered the third dose of the vaccine¹.

As of the date of publication of the report, the Israeli economy has resumed full activity under some restrictions and the employees of the Company work from the Company’s offices part of the time. To the date of publication of the report, the Company does not expect a material adverse effect on the underwriting results of the Company in 2021 as a result of the Coronavirus Event.

The assessments of the Company regarding the effects of the coronavirus on its business constitute forward-looking information, within its definition in the Securities Law, 1968. This information is based, inter alia, on assessments and estimates by management of the Company as at the publication date of this report, which rely on local and international publications on the topic and on the guidelines of the relevant authorities, the realization of which is uncertain and outside the control of the Company. As this is a global event of unusual proportions, which is outside the control of the Company, actual results may differ from the estimated results, including materially, as a result of various factors, including the continued spreading of the virus globally, additional outbreaks of the virus, further outbreaks of variants of the virus, the rate of vaccination of the general population and the efficacy of the vaccine.

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 prepared under IFRS, 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, 2020 and for the year ended on that date (hereinafter – “the annual financial statements of the Company”).

The condensed interim financial statements were approved for publication by the Board of Directors of the Company on November 23, 2021.

¹ According the website of the Israeli Ministry of Health, at: <https://datadashboard.health.gov.il/COVID-19/general>

Notes to the Condensed Financial Statements

Note 2 - Basis of Preparation of Financial Statements (cont'd)

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.

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.

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.

Notes to the Condensed Financial Statements

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

- **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.

- **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 Financial Statements

Note 4 - Segment Information (cont'd)

	9-month period ended September 30, 2021 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	Total
			NIS thousands		
Gross earned premiums	112,476	103,563	650,262		866,301
Premiums earned by reinsurers	(21,851)	(2,012)	(115,983)		(139,846)
Premiums earned in retention	90,625	101,551	534,279		726,455
Gains on investments, net, and financing income	-	1,993	31,373	31,770	65,136
Commission income	5,422	242	31,286		36,950
Total income	96,047	103,786	596,938	31,770	828,541
Payments and change in liabilities with respect to insurance contracts, gross	(49,491)	(53,604)	(538,956)		(642,051)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	10,902	1,730	117,682		130,314
Payments and change in liabilities with respect to insurance contracts, in retention	(38,589)	(51,874)	(421,274)		(511,737)
Commissions and other acquisition costs	(28,578)	(23,172)	(119,197)		(170,947)
General and administrative expenses	(12,305)	(12,347)	(32,861)		(57,513)
Financing income, net	-	-	777	1,939	2,716
Total comprehensive income before taxes on income	16,575	16,393	24,383	33,709	91,060
Liabilities for insurance contracts, gross, as at September 30, 2021	64,664	81,330	2,016,403		2,162,397

	9-month period ended September 30, 2020 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	Total
			NIS thousands		
Gross earned premiums	112,334	117,291	628,247		857,872
Premiums earned by reinsurers	(14,873)	(2,090)	(117,418)		(134,381)
Premiums earned in retention	97,461	115,201	510,829		723,491
Gains (losses) on investments, net and financing income	2	(1,737)	(21,414)	(24,157)	(47,306)
Commission income	5,434	211	29,602		35,247
Total income	102,897	113,675	519,017	(24,157)	711,432
Payments and change in liabilities with respect to insurance contracts, gross	(33,028)	(50,400)	(448,043)		(531,471)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	6,662	1,310	140,373		148,345
Payments and change in liabilities with respect to insurance contracts, in retention	(26,366)	(49,090)	(307,670)		(383,126)
Commissions and other acquisition costs	(27,647)	(29,837)	(114,727)		(172,211)
General and administrative expenses	(11,917)	(16,698)	(36,655)		(65,270)
Financing income (expenses), net	-	-	1,200	(1,127)	73
Total comprehensive income (loss) before taxes on income	36,967	18,050	61,165	(25,284)	90,898
Liabilities for insurance contracts, gross, as at September 30, 2020	55,673	86,474	1,833,056		1,975,203

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

Notes to the Condensed Financial Statements

Note 4 - Segment Information (cont'd)

3-month period ended September 30, 2021 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
	NIS thousands			Total
Gross earned premiums	37,476	37,573	223,425	298,474
Premiums earned by reinsurers	(7,228)	(686)	(41,320)	(49,234)
Premiums earned in retention	30,248	36,887	182,105	249,240
Gains on investments, net, and financing income	-	874	13,201	5,217
Commission income	1,863	83	10,930	12,876
Total income	32,111	37,844	206,236	5,217
Payments and change in liabilities with respect to insurance contracts, gross	(19,067)	(20,492)	(205,562)	(245,121)
Share of reinsurers in change of insurance liabilities and in payments with respect to insurance contracts	4,173	629	45,632	50,434
Payments and change in liabilities with respect to insurance contracts, in retention	(14,894)	(19,863)	(159,930)	(194,687)
Commissions, marketing expenses and other acquisition costs	(9,109)	(8,259)	(40,952)	(58,320)
General and administrative expenses	(4,082)	(4,097)	(10,901)	(19,080)
Financing income (expenses), net	-	-	412	(113)
Total comprehensive income (loss) before taxes on income	4,026	5,625	(5,135)	5,104
3-month period ended September 30, 2020 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
	NIS thousands			Total
Gross earned premiums	37,817	35,323	209,699	282,839
Premiums earned by reinsurers	(282)	(691)	(37,762)	(38,735)
Premiums earned in retention	37,535	34,632	171,937	244,104
Gains on investments, net, and financing income	-	1,835	21,922	12,820
Commission income	735	70	9,196	10,001
Total income	38,270	36,537	203,055	12,820
Payments and change in liabilities with respect to insurance contracts, gross	(10,814)	(16,425)	(178,832)	(206,071)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	745	256	81,945	82,946
Payments and change in liabilities with respect to insurance contracts, in retention	(10,069)	(16,169)	(96,887)	(123,125)
Commissions and other acquisition costs	(8,873)	(8,275)	(36,977)	(54,125)
General and administrative expenses	(3,917)	(5,392)	(10,145)	(19,454)
Financing income, net	-	-	437	687
Total comprehensive income before taxes on income	15,411	6,701	59,483	13,507

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

Notes to the Condensed Financial Statements

Note 4 - Segment Information (cont'd)

	Year ended December 31, 2020 (audited)				Total
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	
	NIS thousands				
Gross earned premiums	149,767	150,854	836,167		1,136,788
Premiums earned by reinsurers	(21,940)	(2,786)	(154,627)		(179,353)
Premiums earned in retention	127,827	148,068	681,540		957,435
Gains (losses) on investments, net and financing income	2	(559)	(6,546)	(8,827)	(15,930)
Commission income	7,348	288	39,089		46,725
Total income	135,177	147,797	714,083	(8,827)	988,230
Payments and change in liabilities with respect to insurance contracts, gross	(44,195)	(60,675)	(566,299)		(671,169)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	9,731	2,092	144,942		156,765
Payments and change in liabilities with respect to insurance contracts, in retention	(34,464)	(58,583)	(421,357)		(514,404)
Commissions and other acquisition costs	(38,383)	(34,886)	(158,356)		(231,625)
General and administrative expenses	(16,105)	(17,032)	(48,647)		(81,784)
Financing income (expenses), net	-	-	1,581	(2,680)	(1,099)
Total comprehensive income (loss) before taxes on income	46,225	37,296	87,304	(11,507)	159,318

* 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:

	9-month period ended September 30, 2021 (unaudited)						
	Compulsory Motor Vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS thousands						
Gross premiums	164,978	327,595	104,459	79,779	31,992	21,867	730,670
Reinsurance premiums	(2,251)	-	(10,563)	(73,428)	(31,956)	(19,109)	(137,307)
Premiums in retention	162,727	327,595	93,896	6,351	36	2,758	593,363
Change in balance of unearned premiums, in retention	(15,047)	(37,077)	(5,983)	(716)	(20)	(241)	(59,084)
Premiums earned in retention	147,680	290,518	87,913	5,635	16	2,517	534,279
Gains on investments, net, and financing income	15,238	5,755	2,548	4,509	394	2,929	31,373
Commission income	-	-	1,047	20,469	4,996	4,774	31,286
Total income	162,918	296,273	91,508	30,613	5,406	10,220	596,938
Payments and change in liabilities with respect to insurance contracts, gross	(175,886)	(224,724)	(38,803)	(39,433)	(15,825)	(44,285)	(538,956)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	26,840	-	1,097	35,557	15,631	38,557	117,682
Payments and change in liabilities with respect to insurance contracts, in retention	(149,046)	(224,724)	(37,706)	(3,876)	(194)	(5,728)	(421,274)
Commissions and other acquisition costs	(22,678)	(48,496)	(22,802)	(17,508)	(2,967)	(4,746)	(119,197)
General and administrative expenses	(8,873)	(14,230)	(8,750)	(633)	(179)	(196)	(32,861)
Financing income, net	-	379	383	12	-	3	777
Total expenses	(180,597)	(287,071)	(68,875)	(22,005)	(3,340)	(10,667)	(572,555)
Total comprehensive income (loss) before taxes on income	(17,679)	9,202	22,633	8,608	2,066	(447)	24,383
Liabilities for insurance contracts, gross, as at September 30, 2021	889,698	307,417	121,603	339,272	99,845	258,567	2,016,403
Liabilities for insurance contracts, net, as of September 30, 2021	723,924	307,418	111,561	36,835	2,118	41,063	1,226,919

* 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 third-party insurance sector, which accounts for 46% 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 (cont'd):

	9-month period ended September 30, 2020 (unaudited)						
	Compulsory Motor Vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS thousands						
Gross premiums	147,615	290,123	102,853	64,284	20,136	22,841	647,852
Reinsurance premiums	(2,020)	-	(10,200)	(58,705)	(19,856)	(19,772)	(110,553)
Premiums in retention	145,595	290,123	92,653	5,579	280	3,069	537,299
Change in balance of unearned premiums, in retention	(9,927)	(12,217)	(4,469)	(219)	66	296	(26,470)
Premiums earned in retention	135,668	277,906	88,184	5,360	346	3,365	510,829
Losses on investments, net, and financing income	(9,835)	(4,436)	(1,928)	(2,580)	(395)	(2,240)	(21,414)
Commission income	-	-	854	16,384	7,243	5,121	29,602
Total income	125,833	273,470	87,110	19,164	7,194	6,246	519,017
Payments and change in liabilities with respect to insurance contracts, gross	(108,693)	(162,784)	(44,320)	(87,007)	(35,761)	(9,478)	(448,043)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	13,260	-	1,063	83,211	34,789	8,050	140,373
Payments and change in liabilities with respect to insurance contracts, in retention	(95,433)	(162,784)	(43,257)	(3,796)	(972)	(1,428)	(307,670)
Commissions, marketing expenses and other acquisition costs	(19,337)	(45,546)	(22,553)	(14,376)	(7,290)	(5,625)	(114,727)
General and administrative expenses	(9,922)	(16,876)	(8,319)	(863)	(417)	(258)	(36,655)
Financing income, net	-	516	656	15	-	13	1,200
Total expenses	(124,692)	(224,690)	(73,473)	(19,020)	(8,679)	(7,298)	(457,852)
Total comprehensive income (loss) before taxes on income	1,141	48,780	13,637	144	(1,485)	(1,052)	61,165
Liabilities for insurance contracts, gross, as at September 30, 2020	766,591	273,653	131,473	331,359	90,022	239,958	1,833,056
Liabilities for insurance contracts, net, as of September 30, 2020	613,101	273,663	124,876	40,150	1,685	39,698	1,093,163

* Other property sectors reflect mainly the results of the property loss insurance sector, which accounts for 100% of the total premiums attributable to these sectors.

Other liability sectors reflect mainly the results of the third-party 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)

Additional information relating to general insurance segment (cont'd):

	3-month period ended September 30, 2021 (unaudited)						
	Compulsory Motor Vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS thousands						
Gross premiums	53,682	107,870	36,657	27,329	11,775	6,048	243,361
Reinsurance premiums	(728)	-	(3,568)	(25,273)	(11,808)	(5,181)	(46,558)
Premiums in retention	52,954	107,870	33,089	2,056	(33)	867	196,803
Change in balance of unearned premiums, in retention	(2,922)	(7,894)	(3,868)	50	(7)	(57)	(14,698)
Premiums earned in retention	50,032	99,976	29,221	2,106	(40)	810	182,105
Gains on investments, net, and financing income	6,332	2,421	1,118	1,906	159	1,265	13,201
Commission income	-	-	334	7,220	1,890	1,486	10,930
Total income	56,364	102,397	30,673	11,232	2,009	3,561	206,236
Payments and change in liabilities with respect to insurance contracts, gross	(62,869)	(89,364)	(15,472)	(9,596)	(6,242)	(22,019)	(205,562)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	10,325	-	515	9,305	6,179	19,308	45,632
Payments and change in liabilities with respect to insurance contracts, in retention	(52,544)	(89,364)	(14,957)	(291)	(63)	(2,711)	(159,930)
Commissions and other acquisition costs	(7,798)	(16,903)	(7,308)	(6,175)	(1,025)	(1,743)	(40,952)
General and administrative expenses	(2,920)	(4,751)	(2,896)	(210)	(59)	(65)	(10,901)
Financing income, net	-	207	196	7	-	2	412
Total expenses	(63,262)	(110,811)	(24,965)	(6,669)	(1,147)	(4,517)	(211,371)
Total comprehensive income (loss) before taxes on income	(6,898)	(8,414)	5,708	4,563	862	(956)	(5,135)

* 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 third-party insurance sector, which accounts for 40% 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 (cont'd):

	3-month period ended September 30, 2020 (unaudited)						
	Compulsory Motor Vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS thousands						
Gross premiums	49,367	94,262	35,406	22,596	4,260	5,356	211,247
Reinsurance premiums	(669)	-	(3,238)	(20,740)	(4,084)	(4,632)	(33,363)
Premiums in retention	48,698	94,262	32,168	1,856	176	724	177,884
Change in balance of unearned premiums, in retention	(2,747)	(1,055)	(2,552)	172	13	222	(5,947)
Premiums earned in retention	45,951	93,207	29,616	2,028	189	946	171,937
Gains on investments, net, and financing income	10,195	4,375	1,898	2,618	466	2,370	21,922
Commission income	-	-	279	5,720	1,807	1,390	9,196
Total income	56,146	97,582	31,793	10,366	2,462	4,706	203,055
Payments and change in liabilities with respect to insurance contracts, gross	(35,745)	(53,429)	(11,529)	(71,429)	(3,742)	(2,958)	(178,832)
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	5,882	-	242	70,343	3,473	2,005	81,945
Payments and change in liabilities with respect to insurance contracts, in retention	(29,863)	(53,429)	(11,287)	(1,086)	(269)	(953)	(96,887)
Commissions, marketing expenses and other acquisition costs	(6,403)	(15,216)	(6,964)	(4,714)	(2,084)	(1,596)	(36,977)
General and administrative expenses	(2,606)	(4,254)	(2,764)	(290)	(142)	(89)	(10,145)
Financing income, net	-	200	231	4	-	2	437
Total expenses	(38,872)	(72,699)	(20,784)	(6,086)	(2,495)	(2,636)	(143,572)
Total comprehensive income (loss) before taxes on income	17,274	24,883	11,009	4,280	(33)	2,070	59,483

* Other property sectors reflect mainly the results of the property loss insurance sector, which accounts for 100% of the total premiums attributable to these sectors. Other liability sectors reflect mainly the results of the third-party insurance sector, which accounts for 47% 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 (cont'd):

	Year ended December 31, 2020 (audited)						
	Compulsory Motor Vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS thousands						
Gross premiums	190,525	369,910	131,446	85,134	25,152	27,602	829,769
Reinsurance premiums	(2,609)	-	(13,136)	(77,689)	(24,827)	(23,881)	(142,142)
Premiums in retention	187,916	369,910	118,310	7,445	325	3,721	687,627
Change in balance of unearned premiums, in retention	(5,924)	211	(827)	(197)	66	584	(6,087)
Premiums earned in retention	181,992	370,121	117,483	7,248	391	4,305	681,540
Losses on investments, net, and financing income	(3,031)	(1,347)	(595)	(786)	(113)	(674)	(6,546)
Commission income	-	-	1,173	22,388	8,742	6,786	39,089
Total income	178,961	368,774	118,061	28,850	9,020	10,417	714,083
Payments and change in liabilities with respect to insurance contracts, gross	(164,921)	(212,940)	(46,860)	(98,754)	(40,112)	(2,712)	(566,299)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	5,740	-	974	97,077	38,597	2,554	144,942
Payments and change in liabilities with respect to insurance contracts, in retention	(159,181)	(212,940)	(45,886)	(1,677)	(1,515)	(158)	(421,357)
Commissions, marketing expenses and other acquisition costs	(28,475)	(63,468)	(30,691)	(20,895)	(7,568)	(7,259)	(158,356)
General and administrative expenses	(13,555)	(22,384)	(11,387)	(828)	(235)	(258)	(48,647)
Financing income	-	681	866	17	-	17	1,581
Total expenses	(201,211)	(298,111)	(87,098)	(23,383)	(9,318)	(7,658)	(626,779)
Total comprehensive income (loss) before taxes on income	(22,250)	70,663	30,963	5,467	(298)	2,759	87,304
Liabilities for insurance contracts, gross, as at December 31, 2020	797,132	249,726	117,549	314,781	87,944	224,698	1,791,830
Liabilities with respect to insurance contracts, in retention, as at December 31, 2020	651,275	249,726	111,574	36,750	2,401	37,175	1,088,901

* 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 third party 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:

Nine-month period ended September 30, 2021 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	112,090
Payments and change in liabilities with respect to insurance contracts, gross	49,491

Nine-month period ended September 30, 2020 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	112,345
Payments and change in liabilities with respect to insurance contracts, gross	33,028

Three-month period ended September 30, 2021 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	37,765
Payments and change in liabilities with respect to insurance contracts, gross	19,067

Three-month period ended September 30, 2020 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	37,618
Payments and change in liabilities with respect to insurance contracts, gross	10,814

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

4.1 Additional information relating to life insurance segment (cont'd):

Year ended December 31, 2020 (audited):

	Policies not containing savings element	Total
	Risk sold as single policy	
	Private	
	NIS thousands	NIS thousands
Gross risk premiums	149,845	149,845
Payments and change in liabilities with respect to insurance contracts, gross	44,195	44,195

4.2 Additional information relating to healthcare segment:

Nine-month period ended June 30, 2021 (unaudited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	95,473	10,461	* 105,934
Payments and change in liabilities with respect to insurance contracts, gross	49,790	3,814	53,604

* Consists primarily of policies issued to individuals.

Nine-month period ended September 30, 2020 (unaudited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	110,054	5,207	* 115,261
Payments and change in liabilities with respect to insurance contracts, gross	32,181	1,794	33,975

* Consists primarily of policies issued to individuals.

Three-month period ended September 30, 2021 (unaudited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	31,452	7,241	* 38,693
Payments and change in liabilities with respect to insurance contracts, gross	17,217	3,275	20,492

* Consists primarily of policies issued to individuals.

Three-month period ended September 30, 2020 (unaudited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	35,097	488	* 35,585
Payments and change in liabilities with respect to insurance contracts, gross	17,728	(1,303)	16,425

* Consists primarily of policies issued to individuals.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

4.2 Additional information relating to healthcare segment (cont'd):

Year ended December 31, 2020 (audited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	143,909	5,659	* 149,568
Payments and change in liabilities with respect to insurance contracts, gross	61,234	(559)	60,675

* 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.

B. Solvency II-based economic solvency regime

1. The capital adequacy of the Company is measured in accordance with the directives of the Commissioner regarding the implementation of 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.
2. The directives of the Commissioner prescribe, inter alia, transitional provisions that allow the gradual deployment of the capital requirements until December 31, 2024. Draft directives have been recently published concerning changes in the calculation of the capital ratio, including an alternative to the deployment of capital requirements method. As the Company has no capital surplus, any changes that may be approved are not expected to have a material effect on the Company.
3. According to the solvency ratio report as of December 31, 2020, the Company has surplus capital independent of the transitional provisions. Disclosure is provided in section 3 (Solvency-II-based economic solvency regime in insurance companies) of the Directors' Report.
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;

Notes to the Condensed Interim Financial Statements

Note 5 - Shareholders' Equity and Capital Requirements (Cont'd)**C. Dividend**

On July 20, 2021, the Board of Directors of the Company approved the distribution of a dividend in the amount of NIS 100 million, representing approximately NIS 17,452 per share. The dividend was paid on August 10, 2021.

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 6 months ended June 30, 2021, 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

1. The carrying amounts of cash and cash equivalents, premiums collectible, accounts receivable, and accounts payable are identical or close to their fair values.
2. 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:

September 30, 2021 (unaudited)			
	Measured at fair value through profit or loss	Loans and receivables	Total
	NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments (1)	1,911,503	-	1,911,503
Non-marketable debt instruments (2)	-	72,441	72,441
Other (3)	107,184	-	107,184
Total	2,018,687	72,441	2,091,128

September 30, 2020 (unaudited)			
	Measured at fair value through profit or loss	Loans and receivables	Total
	NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments (1)	1,822,083	-	1,822,083
Non-marketable debt instruments (2)	-	74,513	74,513
Other (3)	86,309	-	86,309
Total	1,908,392	74,513	1,982,905

December 31, 2020 (audited)			
	Measured at fair value through profit or loss	Loans and Receivables	Total
	NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments (1)	1,851,550	-	1,851,550
Non-marketable debt instruments (2)	-	83,903	83,903
Other (3)	93,782	-	93,782
Total	1,945,332	83,903	2,029,235

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

September 30, 2021 (Unaudited)	
Carrying amount	Amortized Cost
NIS thousands	NIS thousands
Government bonds	665,027
Other debt assets:	
other non-convertible debt assets	1,207,067
Total marketable debt assets	1,833,006

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):

September 30, 2020 (Unaudited)	
Carrying amount	Amortized Cost
NIS thousands	NIS thousands
Government bonds	721,029
<u>Other debt assets:</u>	
other non-convertible debt assets	1,101,054
Total marketable debt assets	1,822,083
	1,805,205
December 31, 2020 (Audited)	
Carrying amount	Amortized Cost
NIS thousands	NIS thousands
Government bonds	712,493
<u>Other debt assets:</u>	
other non-convertible debt assets	1,139,057
Total marketable debt assets	1,851,550
	1,786,979

- (2) **Composition of non-marketable debt instruments:**

September 30, 2021 (Unaudited)	
Carrying amount	Fair value
NIS thousands	NIS thousands
Bank deposits	784
Other non-convertible debt assets	71,657
Total non-marketable debt assets	72,441
	72,910
September 30, 2020 (Unaudited)	
Carrying amount	Fair value
NIS thousands	NIS thousands
Bank deposits	895
Other non-convertible debt assets	73,618
Total non-marketable debt assets	74,513
	74,874

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, 2020 (Audited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	909	1,093
Other non-convertible debt assets	82,994	83,268
Total non-marketable debt assets	83,903	84,361

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

	September 30, 2021 (Unaudited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	107,184	95,837

	September 30, 2020 (Unaudited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	86,309	97,746

	December 31, 2020 (Audited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	93,782	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, which has yet to be issued.

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 petitioners allege 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. This legal proceeding commenced on June 18, 2017.

On July 10, 2019, the respondents submitted their response to the court's related inquiry. On July 18, 2019, the court accepted the parties' joint motion for a procedural arrangement. Evidentiary hearings were held in October-November 2020. In May 2020, additional evidentiary hearings were held.

On June 9, 2021, the petitioners filed a motion for the delivery of the hearings' recordings to the parties, for the purpose of examining whether any modifications to the transcribed minutes of the hearings are necessary. On June 14, 2021, the court accepted the motion.

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 October 3, 2021, respondent 5, Menora Mivtachim Insurance Ltd., submitted a notice containing the details of the declarants on its behalf.

The evidentiary hearing that had been scheduled for October 13, 2021 has been postponed at the court's initiative to December 5, 2021 (on that date, the witnesses of respondent 5, Menora Mivtachim Insurance Ltd., will testify) and December 14, 2021.

On November 16, 2021, Menora Mivtachim filed a motion to postpone the evidentiary hearing that had been scheduled for December 5, 2021. The court accepted the motion on the same day, postponing the evidentiary hearing to February 9, 2022.

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 April 27, 2017, a motion to certify a class action was filed against the Company and two other insurance companies. The plaintiffs argue that insurance companies charged customer who pay premiums in installments credit fees in excess of the rates permitted by law and/or the interest rates presented in policies. It was argued that the Company caused a damage of NIS 20,879 thousand over seven years.

The date for the submission of a response to the motion to certify was delayed, to explore an option of settling the case. As part of the understandings, an auditor was appointed on behalf of the plaintiffs, which has examined and confirmed the amounts of exposure that had been declared by the Company. The parties are currently negotiating a settlement on the basis of the declared amounts of exposure.

Notes to the Condensed Interim Financial Statements

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

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

3. (cont'd)

The parties reached a compromise that was submitted to the court for approval. According to the compromise, no compensation will be payable to former policy holders, but rather the amount will be paid by way of a future discount on credit fees that will be granted by the Company. This amount also includes fees and remuneration to the plaintiff and its representative. A similar compromise with Shirbit was submitted to the court for approval.

The court has ordered the issue of notifications on the compromise agreements. Following the issue of the notifications, the members of the class in the claim against Shirbit filed an objection, including as regarding the compromise arrangement with the Company. The court has requested and received from the Company data as to the amount of benefit for each member of the class. The compromise arrangement is based on compromises previously approved by the court in relation to similar motions against other insurance companies. On November 23, 2020, a ruling was issued in approval of the compromise arrangement and the Company is working towards its execution.

As of July 31, 2021, the Company has exhausted the discount to policyholders in personal policies and has granted a discount in an immaterial amount to holders of other policies.

4. On September 14, 2017, a petition to certify a class action was filed against 13 insurance companies, including the Company (the "Respondents").

The petitioners allege that the Respondents refrain from adding linkage differentials and/or interest to amounts ruled by a judicial authority, thereby violating Section 5(b) of the Adjudication of Interest and Linkage Law, 5721-1961 (hereinafter: "the Law"). They argue that according to the Law, in cases where the debtor does not pay his debt on time, the linkage differentials, the ordinary interest rate and the interest on arrears should be added to this amount, starting from the date on which the debtor must pay the debt to the date of actual payment.

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, estimate it at tens of millions of shekels. Following the court's approval of two extension requests by the petitioners, 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 November 5, 2018, the court accepted the Respondents' motion to postpone the date of the hearing.

This legal proceeding commenced on February 19, 2019. 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 and the mediation proceeding is still in progress.

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 June 18, 2020, the parties submitted an update to the court, pursuant to which they are continuing their discussions in an attempt to reach conclusive understandings. The parties have also requested to submit an additional update to the court concerning the mediation proceeding by July 17, 2020. On the same day, the court approved the request and added that the parties are to pursue the conclusion of the mediation proceeding by July 17, 2020. On July 19, 2020, the parties submitted a further update, according to which they have made considerable progress in relation to the mediation proceeding, with only one point of contention remaining with respect to said arrangement. Accordingly, the parties have requested to submit an additional update to the court on the mediation proceeding by August 2, 2020. The court approved the request on the same day.

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 of 45 days to formulate and submit the arrangement. On the same day, the court ruled that the motion for approval is to be submitted by September 21, 2020 and that, to the extent required, an additional preliminary hearing will be held on October 15, 2020. The parties have requested and were granted several extensions for the formulation of the arrangement and its submission to the court. The court granted an extension until November 15, 2020.

On October 8, 2020, the court announced that, in view of the extension of the Sukkot recess and the notification of the Courts Administrator, the hearing scheduled for October 15, 2020 will be postponed to November 22, 2020.

The parties have requested and were granted several extensions for the formulation of the arrangement and its submission to the court. On January 20, 2021, the parties requested the extension of the submission of the compromise arrangement and the motion for its approval until February 2, 2021. The parties also requested the postponement of the hearing scheduled for January 24, 2021. On January 20, 2021, the Court accepted the parties' requests. On February 9, 2021, as the compromise arrangement has not yet been submitted (its drafting has not been completed), the Court ruled that the parties will be called to a preliminary hearing on March 7, 2021.

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 by April 6, 2021. On April 6, 2021, the parties filed a motion to extend the date of submission of their position. On April 7, 2021, the Court accepted the motion, requiring the parties to submit their position by April 27, 2021.

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 within 10 days and to deliver the notice to the Commissioner of the Capital Market, Insurance and Savings and to the Attorney General.

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 May 11, 2021, notification was given of the filing of a affidavits by the respondents in support of the arrangement. On May 13, 2021, a motion was filed to extend the final date for the publication of the notice concerning the filing of a motion to approve a compromise arrangement until May 24, 2021. The hearing of the motion to approve the compromise arrangement has been scheduled for July 18, 2021.

On May 20, 2021, the court accepted the motion to approve the format of the notification concerning the approval of the compromise arrangement. On May 30, 2021, the court accepted the motion to postpone the hearing to October 4, 2021. On July 20, 2021, the court accepted the motion to extend the final date for submission of the Attorney General's position until September 13, 2021. 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 September 14, 2021, the parties submitted their position notices with regard to the extension of the submission of the Attorney General's position until October 30, 2021 and the postponement of the hearing scheduled for October 4, 2021. The court accepted the motions, allowing the submission of the Attorney General's position by October 30, 2021, and postponing the hearing to November 16, 2021.

On November 2, 2021, the Attorney General filed a motion to extend the date for the submission of his position on a compromise arrangement and to postpone the hearing that had been scheduled for November 16, 2021. On November 4, 2021, the court ruled that the Attorney General will continue to pursue the receipt of the respondents' position, including agreed upon alternative hearing dates.

On November 8, 2021, another motion was filed to extend the date of submission of the Attorney General's position and for postponing the hearing. The motion stated that the petitioners' representative and the respondents' representative have announced that they leave the motion to the discretion of the court. In addition, the parties have agreed upon possible alternative dates for the hearing.

On November 10, 2021, the court accepted the Attorney General's motion, ordering the submission of the Attorney General's position by November 30, 2021 and postponing the hearing to December 27, 2021.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, it is more likely than not that the compromise arrangement will be approved and, if the arrangement is not approved, it is more likely than not that the motion will be rejected. In the opinion of the Company's management, which is based on the opinion of its legal counsel, this claim is not expected to have a material effect on the financial statements.

Notes to the Condensed Interim Financial Statements

5. On January 16, 2018, a petition to certify a class action was filed against the Company and 5 other insurance companies in the matter of refraining from paying the VAT component that applies to the cost of the damages in cases in which the alleged damages were not actually repaired to their policy holders and/or to third parties. The petitioner estimates the compensation due to members of the class for each year in respect of the Company in the amount of NIS 5,744 thousand.

The Company, together with the other insurance companies included in the claim, submitted to the court a motion for the striking in limine of the certification petition, on the principal grounds that the matter is not appropriate for the filing of claim by an organization. The motion was rejected by the Court.

The Company has submitted its response to the certification motion and the petitioner submitted its response to those of the respondents.

Shortly before the hearing, all respondents submitted a motion to strike the petitioner's response in the light of new arguments and new documents that were attached. The petitioner has recently submitted its response. Subsequently, a ruling was given, rejecting the striking of the petitioners' response, but permitting the respondents to respond jointly. A response has yet to be submitted.

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 November 13, 2018, a pre-trial hearing was held in the case, in which the court suggested that the class be limited to policyholders only and the withdrawal of all arguments pertaining to third parties. The court also noted that the relevant period for policyholders is 3 years back from January 1, 2018 in view of the statute of limitations, and for third parties – 7 years. Several evidentiary hearing were held in the case in the period from November 2019 to June 2020. At the conclusion of the evidentiary hearings, summations have been scheduled. The petitioner has submitted its summations, as have the respondents.

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.

6. On June 17, 2019, a petition to certify a class action was filed against the Company. The petition alleges the unlawful charging of linkage differences from the policyholders by the respondent and the breach of its duties to policyholders under home insurance premium payments as regarding linkage differences. The total amount claimed for all class members in relation to the respondent is estimated at NIS 2,500 thousand. The Company was required to submit a response to the certification petition by November 17, 2019. The petitioner was required to submit its response to the response to the certification petition by December 17, 2019. A pretrial hearing was scheduled for January 1, 2020.

In the period from November 2019 to February 2020, the parties have submitted several notifications to the court regarding their negotiation of a possible arrangement. On this basis, they requested that the court extend the date for the submission of a response to the certification petition and postpone the date of the hearing. The court accepted the motion.

The negotiations resulted in an agreed plan for withdrawal of the certification petition and postponement of the personal claim, this in accordance with the understandings reached. On March 29, 2020 a joint petition for withdrawal was filed. On the same date, the court ordered the respondent to furnish a document backed by an affidavit. On April 6, 2020, the respondent the aforementioned document. The pre-trial hearing scheduled for April 22, 2020 has been postponed due to the activation of the Courts and Execution Offices Regulations (Procedures in a Special Emergency Situation), 1991.

On May 14, 2020, the court ruled against the motion for withdrawal, this in view of a number of reservations, and determined that the matter will be discussed at the pre-trial hearing. The court also suggested that the parties should try and formulate a new agreement. A pre-trial hearing in the case scheduled for October 14, 2020 has been postponed by the court to March 3, 2021.

In a hearing held on March 3, 2021, it has been determined that the respondent is to submit, within 30 days, a clarification regarding the data on the extent of the alleged (and denied) damage.

On April 9, 2021 and April 21, 2021, the respondent filed a motion to extend the submission of the clarification until April 28, 2021. On April 21, 2021, the Court accepted the motion. On April 28, 2021, the respondent submitted to the court a clarification regarding the data on the extent of the damage.

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)

On May 3, 2021, the petitioner submitted its position on the respondent's notice from April 28, 2021. On May 16, 2021, the court ruled that the respondent must submit a response to the petitioner's position.

On June 15, 2021, the respondent submitted its response to the petitioner's response that addressed the clarification notice from April 28, 2021.

On September 19, 2021, the petitioner notified the court that the parties have completed all requisite notices and clarifications, requesting further instructions from the court.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, it is more likely than not that the withdrawal arrangement will be accepted. In the opinion of the Company's management, which is based on the opinion of its legal counsel, the claim will not have a material effect on the financial statements.

7. On December 31, 2019, a petition to certify a class action was filed against the Company and IMA. The holder of an overseas travel insurance policy alleges the breach of a duty of disclosure in an overseas travel insurance policy and negligence.

The plaintiff, 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 to the customers, by failing to disclose that there is no coverage for follow-up treatment in Israel; he 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 plaintiff 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). He further demands that the Company be required to provide proper disclosure regarding this coverage and to deliver the complete insurance policy to policyholders.

A pre-trial hearing was held on June 22, 2020. The court encouraged the plaintiff to withdraw the claim at this stage, without adjudication of costs. The plaintiff chose to continue the proceeding. In another pre-trial hearing held on October 19, 2020, despite the court's repeated recommendation, the plaintiff announced that it intends to pursue the proceeding.

On November 18, 2020, the court approved a consensual procedural arrangement between the parties. Pursuant to the arrangement, the plaintiff 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 plaintiff's response. Within this framework, the parties also agreed to schedule a brief one-hour examination of each of the declarants. The examinations hearing was scheduled for November 3, 2021. The representative of the plaintiff was given an option to waive the examinations and move directly to summations. The offer was rejected and the scheduled hearing stands.

Notes to the Condensed Interim Financial Statements

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

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

7. (cont'd)

In April 2021, the court notified the parties that the case will be handed over to a different judge, who scheduled an evidentiary hearing for December 15, 2021 and verbal summations for December 22, 2021.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, the motion to certify a class action and the personal claim will be rejected.

8. 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 July 29, 2020, the petitioners filed a motion for extension of the date of submission of a response to the certification petition and for postponement of the pre-trial hearing. On the same day, the court accepted the motion, requiring the respondents to submit a response to the certification petition by September 30, 2020, and postponed the pre-trial hearing. On September 29, 2020, the Company requested that the deadline for the submission of its response to the certification petition be extended until October 30, 2020. The court accepted the motion. On October 27, 2020, the Company submitted a statement of response to the certification petition. On November 4, 2020, respondents 1, 2, 3, 5 and 6 submitted their response to the certification petition.

On December 16, 2020, the petitioners submitted their response to the respondents' response to the certification petition. On January 10, 2021, respondents 1-3 submitted a consensual motion for postponement of the hearing scheduled for January 13, 2021. On January 10, 2021, the court accepted the motion and postponed the hearing to March 18, 2021. On January 31, 2021, the petitioners requested the court to order the disclosure and perusal of documents and an order for response to questionnaires. The court required the respondents to respond to the motion within 20 days.

Respondents 1, 3 and 4 submitted their response on March 1, 2021; respondents 5-6 submitted their response on March 4, 2021; respondent 2 submitted its response on March 8, 2021. A hearing in the case 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 April 12, 2021, a response was submitted to the respondents' arguments concerning the disclosure of documents, questionnaires and the summoning of the Commissioner of Capital Markets on behalf of the petitioners.

On May 10, 2021, the parties submitted a consensual motion to extend the final date for submission of a notice concerning the court's proposal. On May 11, 2021, the court ruled that the parties' position must be submitted by June 9, 2021.

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)

On June 8, 2021, a consensual motion was filed to extend the final date for the submission of a notice by the parties, in light of negotiations held between the parties in an attempt to resolve the proceeding by withdrawal. On June 9, 2021, the court accepted the motion. Consequently, the parties were required to submit an update notice by July 15, 2021. On July 13, 2021, the petitioners submitted an update notification, pursuant to which the discussions between the parties have not been successful. On July 13, 2021, the court scheduled a hearing for October 4, 2021, to examine the parties' inability to reach understandings.

On October 4, 2021, a hearing was held, during which the parties discussed the matter outside the courtroom. The representatives of the petitioners are required to submit a notice concerning the results of the discussions by November 4, 2021. Further steps will be based on such notice.

On November 2, 2021, the petitioners submitted an update notice, informing the court that the parties were unable to reach an understanding and accordingly requesting that the court rule in the motions for the discovery of documents and questionnaires and the motion to subpoena a witness for the presentation of documents. The parties further informed the court that, within 30 days, a consensual motion with the representative of Harel Insurance Company Ltd. will be filed to replace petitioner number 2 with an alternative petitioner.

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.

9. 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, by April 26, 2020, 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. Additionally, the court was requested to suspend its ruling from April 20, 2020 as above. On the same day, the Court rejected the motion to suspend its ruling. On April 27, 2020, the petitioners provided additional information, in conformity with the court's ruling from April 20, 2020. On April 30, 2020, the petitioners submitted a notification of the performance of presentation to the respondents.

Notes to the Condensed Interim Financial Statements

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

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

9. (cont'd)

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.

On October 6, 2020, the respondents submitted a motion 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 a response to the certification petition is 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, the petitioners in this claim and in claim 11 above submitted a request for instructions in relation to the hearing scheduled for January 21, 2021. 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. 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 11 below will jointly hold proceedings against all of the defendants that they have named and that were also named in claim 10 below concerning vehicle insurance policies. Additionally, claim 10 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 11 below. Additionally, it has been determined that the plaintiff in claim 10 below may continue to pursue his claim concerning home contents insurance against all of the defendants that are named in his statement of claim. An amended statement of claim and motion to certify in the name of this claim and claim 11 below are to be filed not later than April 7, 2021. All statements of response by the respondents, both to the motions to certify this claim and claim 11 below and to motion in relation to claim 10 below, are to be submitted not later than July 15, 2021.

On July 11, 2021, a consensual motion was submitted to extend the date for submission of a response to the certification petition. On July 11, 2021, the court accepted the motion, extending the deadline for submission of the respondents' responses until October 14, 2021 and setting January 15, 2022 as the final date for the submission of the statement of response. A pretrial hearing has been scheduled for February 28, 2022.

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 August 31, 2021, the court requested to receive the position of the other parties in the other cases by October 5, 2021.

On September 20, 2021, a motion was filed to extend the submission of the respondents' responses to the certification motion. On September 26, 2021, an extension was approved for the submission of the respondents' responses.

Notes to the Condensed Interim Financial Statements

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

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

9. (cont'd)

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 ruled that the hearing that had been scheduled for February 28, 2022 is cancelled and determined that by the aforesaid date (February 28, 2022) the parties are to submit an update notice on the progress in the parallel proceeding (CamaMia).

As described in detail above, the company has not yet submitted its response to the motion to certify a class action, since the date for the submission of the response to the certification motion has been postponed pending another ruling. In addition, as of the reporting date, hearings in the case have been delayed.

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

10. 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.

On May 20, 2020, the petitioners in claim no. 9 above and in claim no. 11 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. Error! Reference source not found. The court ruled on the same day, requiring the respondents to respond by June 3, 2020. 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. 9 above and in claim no. 11 below filed a motion to withdraw. On July 21, 2020, the petitioners submitted a notification of their consent to a mediation proceeding.

Notes to the Condensed Interim Financial Statements

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

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

10. (cont'd)

On July 26, 2020, the respondents submitted their response to the motions of the petitioners in claim no. 9 above and in claim no. 11 below. On July 21, 2020, the petitioners in claim no. 9 above and in claim no. 11 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.

A hearing was scheduled for January 21, 2021. The parties were required to notify the court, by August 1, 2020, whether they consent to a mediation proceeding. On August 3, 2020, the respondents informed the court of their objection to the mediation proceeding.

On August 12, 2020, the petitioners in claim no. 9 above and in claim no. 11 below submitted their response to the responses to the motion. On August 13, 2020, the petitioners requested permission to submit a summary response to the response of the petitioners in claim no. 9 above and in claim no. 11 below. On the same day, the petitioners in claim no. 9 above and in claim no. 11 below submitted their objection to the granting of a right of response to the response. On August 20, 2020, the court rejected the requested permission for an additional response and ruled that the motion will be discussed at the scheduled hearing.

On October 6, 2020, the respondents submitted a motion 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 a response to the certification petition is 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, the petitioners in claim 9 above and in claim 11 below submitted a request for instructions in relation to the hearing scheduled for January 21, 2021. 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. 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 claim 9 above and claim 11 below will be deliberated jointly against all of the defendants that they have named and that were also named in this claim concerning vehicle insurance policies. Additionally, the plaintiff's claim 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 claim 9 above and in claim 11 below. Additionally, it has been determined that the plaintiff in this claim may continue to pursue his claim concerning home contents insurance against all of the defendants that are named in his statement of claim. An amended statement of claim and motion to certify in the name of the plaintiffs in claim 9 above and claim 11 below are to be filed not later than April 7, 2021. All statements of response by the respondents, both to the motions to certify claim 9 above and claim 9 below and to the plaintiff's motion in this claim, are to be submitted not later than July 15, 2021.

Notes to the Condensed Interim Financial Statements

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

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

10. (cont'd)

On March 14, 2021, a motion was filed for permission to amend the motion to certify the class action. On March 15, 2021, the petitioners submitted their response to the respondent's motion for rejection in limine. On April 6, 2021, a joint motion was filed for the certification of the claim as a class action. On April 18, 2021, respondents 3, 12 and 7 submitted their responses to the amendment of the motion to certify the class action. On April 19, 2021, respondents 4-5 submitted their responses to the amendment of the motion to certify the class action. On April 22, 2021, respondents 1, 2, 6, 8, 9, 11 and 14 submitted their responses to the amendment of the motion to certify the class action.

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.

On June 2, 2021, a motion was filed for a ruling on the motion to amend the certification petition. On June 3, 2021, the court responded that a ruling on the motion will be given shortly. On June 8, 2021, the court ruled on the amendment of the petition to certify a class action, rejecting the motion to amend the statements of arguments. The petitioners will bear the respondents' expenses in a total amount of NIS 39,000. On July 11, 2021, a consensual motion was submitted to extend the date for submission of a response to the certification petition. On July 11, 2021, the court accepted the motion, extending the deadline for submission of the respondents' responses until October 14, 2021 and setting January 15, 2022 as the final date for the submission of the statement of response. A pretrial hearing has been scheduled for February 28, 2022.

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 August 31, 2021, the court requested to receive the position of the other parties in the other cases by October 5, 2021.

On September 15, 2021, the parties submitted a motion, noting their consent to the motion to suspend hearings in the proceeding mentioned at the top of this section. The motion also requests that the court issue an order that, in the event of the rejection of the motion to suspend, the respondents would be required to submit their responses to the certification motion by December 31, 2021 and the petitioners would be required to submit their response to the aforesaid responses of the respondents 30 days thereafter. On September 26, 2021, the court accepted the motion.

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

On November 5, 2021, the court ruled that the hearing that had been scheduled for February 28, 2022 is cancelled and determined that by the aforesaid date (February 28, 2022) the parties are to submit an update notice on the progress in the parallel proceeding (CamaMia).

As described in detail above, the company has not yet submitted its response to the motion to certify a class action, since the date for the submission of the response to the certification motion has been postponed pending another ruling. In addition, as of the reporting date, hearings in the case have been delayed.

Notes to the Condensed Interim Financial Statements

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

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

10. (cont'd)

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

11. 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. The court ruled on the same day, requiring the respondents to respond by June 3, 2020. 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.

A hearing was scheduled for January 21, 2021.

On October 6, 2020, the respondents submitted a motion 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 a response to the certification petition is 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, the petitioners in claim 9 above and in this claim submitted a request for instructions in relation to the hearing scheduled for January 21, 2021. 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. A ruling will be issued in accordance with Section 7 of the Law - without a hearing.

Notes to the Condensed Interim Financial Statements

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

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

11. (cont'd)

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which claim 9 above and this claim will be deliberated jointly against all of the defendants that they have named and that were also named in claim 10 above concerning vehicle insurance policies. Additionally, claim 10 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 claim 9 above and in this claim. Additionally, it has been determined that the plaintiff in claim 10 above may continue to pursue his claim concerning home contents insurance against all of the defendants that are named in his statement of claim. An amended statement of claim and motion to certify in the name claim 9 above and this claim are to be filed not later than April 7, 2021. All statements of response by the respondents, both to the motions to certify claim 9 above and this claim and to the motion to certify claim 10 above, are to be submitted not later than July 15, 2021.

On July 11, 2021, a consensual motion was submitted to extend the date for submission of a response to the certification petition. On July 11, 2021, the court accepted the motion, extending the deadline for submission of the respondents' responses until October 14, 2021 and setting January 15, 2022 as the final date for the submission of the statement of response. A pretrial hearing has been scheduled for February 28, 2022.

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 August 31, 2021, the court requested to receive the position of the other parties in the other cases by October 5, 2021.

On September 20, 2021, a motion was filed to extend the submission of the respondents' responses to the certification motion until 45 days after the court rules on the suspension of the proceedings, in case the suspension is rejected. In the motion, the respondents argue that an order should be issued for the suspension of the proceedings, as requested in the Segal[??] proceeding.

On September 26, 2021, the court ruled that the submission of the respondents' responses is postponed pending the issue of another ruling.

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 ruled that the hearing that had been scheduled for February 28, 2022 is cancelled and determined that by the aforesaid date (February 28, 2022) the parties are to submit an update notice on the progress in the parallel proceeding (CamaMia).

Notes to the Condensed Interim Financial Statements

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

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

11. (cont'd)

As described in detail above, the company has not yet submitted its response to the motion to certify a class action, since the date for the submission of the response to the certification motion has been postponed pending another ruling. In addition, as of the reporting date, hearings in the case have been delayed.

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

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

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.

The Company is required to submit a response to the petition by April 28, 2021. The petitioner is required to submit its response to the response to the petition by May 30, 2021. A pre-trial hearing has been scheduled for October 18, 2021.

On April 27, 2021, the parties informed the court that they have reached understandings concerning the submission dates, pursuant to which the respondent will submit a response to the certification motion on June 10, 2021 and the petitioner will submit a response to the response to the certification motion on July 18, 2021. On April 28, 2021, the court accepted the proposed dates.

On June 8, 2021, the parties informed the court that they have reached understandings concerning the submission dates, pursuant to which the respondent will submit a response to the certification motion on June 14, 2021 and the petitioner will submit a response to the response to the certification motion on July 22, 2021. On June 8, 2021, the court accepted the proposed dates. 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.

Notes to the Condensed Interim Financial Statements

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

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

12. (cont'd)

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.

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

13. 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.

The alleged personal damages amount is NIS 662.1, to which should be added the cost of wasted time, trouble etc. The petitioner estimates the total class damages at more than NIS 2.5 million (district court jurisdiction).

At this stage, the Company is studying the arguments. The date for the submission of a response to the certification motion is December 13, 2021.

	Number of claims	The amount claimed - NIS thousands
Pending petitions for certification of class actions:		
Amount of claim specified	9	179,371
Amount of claim not specified	4	-
Total	13	179,371

Notes to the Condensed Interim Financial Statements

Note 8 – Additional Events During the Reporting Period

1. On February 28, 2021, the District Court issued a partial ruling against 5 insurance companies concerning the period for calculation of interest and linkage differences in the settlement of insurance claims. The Company is not a party to the claim. The Company has examined the possible implications of this ruling on the Company. In the opinion of the Company, this ruling has no material implication for the business results of the Company.
2. The Company operates in an economic environment that is affected, inter alia, by the change in the risk-free interest rate curve. The reduction in the interest curve during the reporting period has increased the insurance liabilities in those general insurance segments in which the liabilities are calculated in accordance with the Commissioner's position as to the best practice.

The negative interest curve in the reporting period increased the insurance liabilities by NIS 25.6 million, stemming mainly from the compulsory vehicle insurance segment (NIS 23.1 million). The negative interest curve in the third quarter of 2021 increased the insurance liabilities by NIS 10.6 million, stemming mainly from the compulsory vehicle insurance segment (NIS 9.6 million).