

# **AIG Israel Insurance Company Ltd**

## **Interim Financial Report**

**(Unaudited)**

**As of March 31, 2021**

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**Directors' report**  
**AIG Israel Insurance Company Ltd ("the Company")**  
**for the period ended March 31, 2021**

The directors' report on the business of the Company as of March 31, 2021 ("**the directors' report**"), reviews the Company and developments in its business in the first quarter of 2021 ("**the reported period**"). The information in this report are as of March 31, 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**" and "**the Authority**", respectively). 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:

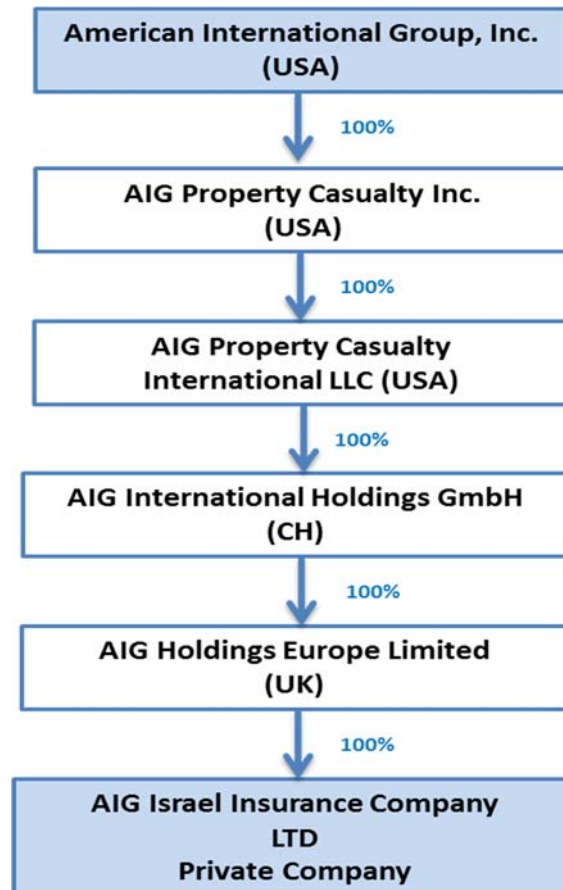
### 1.1 Organizational structure

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 done through mediation of insurance agents. As a result of the above marketing methods, the organizational structure of the Company is based on activity through a head office in Petach Tikva.

## **1.2 Areas of activity**

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

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

## **1.3 Extraordinary 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 5.4 million individuals in Israel have received the first dose of the vaccination, of which 5 million have also been administered the second dose.

As of the date of publication of the report, the Israeli economy has resumed full activity under some restrictions and subject to the directives of the "Green Pass" and the "Purple Pass". Some of the Company's employees have returned to the offices, and the Company is in the process of returning the remaining employees to the offices.

To the date of publication of the periodic report as at March 31, 2021, 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.



## **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 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 Israel<sup>1</sup>, Israeli product is expected to grow by 6.3% and 5.0% in 2021 and 2022, respectively, concurrently with the reduction of the overall unemployment rate to 6% at the end of 2022. The rate of inflation is expected to reach 1.1% in the four following quarters (ending in the first quarter of 2022) and 1.2% in 2022.

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

	<b>Jan- March 2021</b>	<b>Jan- March 2020</b>	<b>2020</b>
<b>Government bonds indexes</b>			
General government bonds	(0.8%)	(1.9%)	1.2%
Linked government bonds	0.4%	(3.0%)	1.2%
NIS government bonds	(1.5%)	(1.1%)	1.3%
<b>Corporate bonds indexes</b>			
Tel Bond 60	1.8%	(6.8%)	(0.1%)
Tel Bond NIS	0.3%	(8.1%)	(0.1%)
<b>Share indexes</b>			
Tel-Aviv 125	6.1%	(21.0%)	(3.0%)
S&P 500	5.8%	(20.0%)	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.

<sup>1</sup> The macroeconomic forecast of the Research Division from April 19, 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:

### **Circulars**

- In January 2021, the Commissioner published its position on actions of an officer prior to the Commissioner's approval of the officer's appointment. The position determines that a candidate officer in a public institution will refrain from any action that is included in the description of the intended position and its related duties, pending the Commissioner's approval of his appointment. Additionally, the position specifies several actions that the candidate officer is prohibited to perform prior to the Commissioner's approval and several actions that are allowed for the candidate officer prior to such approval.
- In January 2021, the Commissioner published a clarification concerning identification in the personal zone on the Company's website. In the clarification, the Commissioner clarifies that an insurance company is obligated to enable the obtaining of a password to the personal zone in an appropriate and reasonable manner, making the use of the Company's personal zone available to all policyholders. It is specified that policyholders who do not have an email address or who are unable to receive text messages on their telephone, a password may be sent by a telephone voice message or in other reasonable means.
- In January 2021, the Commissioner published its position on the principles attaching to the implementation of provisions concerning the independence of the auditor of a public institution when an ancillary service is provided, in view of the importance of maintaining the independent and professional conduct of an auditor of a public institution and in order to increase the certainty that the financial statements of the public institutions fairly reflect their financial position and the results of their operations. The position describes several situations where the Commissioner will deem an auditor's duty of independence to have been compromised due to the provision of an ancillary service by the auditor during the audit period or in the preceding year.
- In January 2021, the Commissioner published an amendment to the provisions of the consolidated circular concerning "Personal Accidents Insurance", which came into effect on May 1, 2021. The amendment was issued in order to regulate the personal accidents sector by stipulating provisions concerning the insurance coverage for new policyholders, including a basic layer of insurance that comprises coverage for death, disability, hospitalization, fractures, burns and recovery period, determining a uniform and broad definition of "accident", setting a biannual insurance period and prescribing specific provisions for new personal accidents policyholders as well as a mechanism for the settlement of disability claims under the policy.
- In February 2021, the Commissioner published an amendment to the circular concerning "Web-Based Interface for the Location of Insurance Products". The amendment stipulates reporting requirements for additional types of information, in order to improve the services that are provided to policyholders through "Har Habituač" and to introduce new services in relation to health insurance. The amendment requires insurance companies to assign to an insurance policy of a minor policyholder the identification information of at least one adult guardian, in order to enable access to the information included in "Har Habituač" for that minor.
- In February 2021, the Commissioner published a circular concerning the collection of statistical information on the settlement of claims, which, among others, requires the insurance companies to collect statistical information and metrics that will serve as an additional tool for potential policyholder in selecting an insurer.
- In March 2021, the Commissioner published an amendment to the Supervision of Financial Services (Insurance) (Terms of Compulsory Motor Vehicle Insurance Contracts), 2021. The amendment proposes, inter alia, to cancel the requirement of a single original insurance certificate and allow policy holders to produce a digital insurance certificate, including cancellation of the policy holder's obligation to return the original certificate to the insurer as a condition for the cancellation of the policy and the refund of the proportionate premiums, to update the standard policy to reflect the cancellation of Regulation 172A of the Transport Regulations, 1961 (failure to renew an expired license), and to issue provisions for notification by the policy holder of the idling of the vehicle for at least 30 consecutive days, which would entitle the policy holder to reduced premiums against the reduction of the insurance coverage.





- In March 2021, an amendment to the consolidated circular concerning “Board of Directors of a Public Institution” was extended until June 30, 2021. The amendment, which serves as an ad hoc provision on the backdrop of the Coronavirus Event, provides, inter alia, for the cancellation of the requirement of a physical convening of the board of directors at least once a quarter and the deferral of the dates for approval of minutes and determines that a public institution will submit to the Commissioner a summary of the resolutions of the board of directors or its committees that were passed at a meeting concerning the Coronavirus Event, this not later than 5 business days from the date of the meeting. Additionally, procedures have been established for the holding of board meetings via remote means of communication and it has been determined that extraordinary transactions other than in the ordinary course of business, which are subject to approval under Section 270 of the Companies Law, 1999, will require physical convening, unless there are exceptional circumstances that hinder the physical convening of the board of directors, which will be specified in the minutes of the board’s meeting.
- In March 2021, the Commissioner published directives concerning the mapping of cyber insurance risks in insurance operations. These directives require insurance companies to perform a survey of cyber risks in insurance operations in order to identify and assess the exposure of the company to cyber risks. Additionally, directives have been prescribed for the method and contents of the survey and the mandatory reporting of its results to the Commissioner. It has further been determined that the identification and assessment of the cyber risks will enable insurance companies to enhance their understanding of this complex area and improve their coping abilities, both with regard to individual cyber claims and in more acute scenarios.
- In April 2021, the Commissioner published an amendment to the provisions of the consolidated circular concerning “Personal Accidents Insurance”. The amendment cancels the obligation to purchase recuperation days coverage in personal accidents insurance policies, since a daily compensation for recuperation days significantly increases the cost of the premium. Therefore, the insurance product must also be made available without recuperation days coverage.

## **Drafts**

- In January 2021, the Commissioner published a draft Q&A document concerning the Outsourcing in Public Institutions circular. The transitional provisions of the aforesaid circular require public institutions to fully implement the provisions by December 31, 2021.
- In February 2021, the Commissioner published a second 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 second draft prescribes general guidelines for compliance with the provisions, based on the discussions held with the insurance companies and with various functions in the insurance sector.
- In March 2021, the Commissioner published a final draft amendment to the Supervision of Financial Services Regulations (Provident Funds) (Rules of Investment Applicable to Public Institutions), 2021, which was submitted to the Knesset’s Finance Committee. The purpose of the amendment is to adapt the regulations to the changes that took place in the economic environment and in the capital market. The amendment proposes modifications that are intended to allow a wider range of investments with a relatively low increase in the investment risks, and to remove investment barriers when considering potential investments in infrastructure in Israel.
- In April 2021 and following the Supreme Court’s ruling that electric bicycles are not a motor vehicle within its definition in the Compensation to Victims of Road Accidents Law, 1975, the Commissioner published a draft amendment to the consolidated circular concerning “Compulsory Vehicle Insurance”. The purpose of the amendment is to update the insurance pool tariffs, cancelling the compulsory insurance tariffs for electric scooters, Segways, single-passenger and multi-passenger mobility scooters, electric bicycles and golf carts.
- In April 2021, the Commissioner published a draft amendment to the circular concerning “Web-Based Interface for the Location of Insurance Products”. The purpose of the proposed amendment is to provide 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 as regarding the manner of reporting to the Authority the identity of those functions that have been granted viewing authorization by the insurance companies. The amendment proposes that insurance companies grant viewing authorization only to those employees who handle acceptance to an insurance plan and that such employees be obligated to perform personal identification via a government identification system when entering “Har Habituach” website. Additionally, it is proposed to determine that it is the responsibility of the insurance company to implement various controls to ensure that the use by its authorized viewers is made as part of a process of acceptance to an insurance plan after having received a specific authorization.





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

Following are principal balance sheet data (NIS thousands):

	<b>March 31, 2021</b>	<b>March 31, 2020</b>	<b>December 31, 2020</b>
Other assets	313,540	349,273	306,739
Deferred acquisition expenses	174,725	165,061	160,629
Financial investments and cash	2,214,734	1,918,028	2,126,639
Reinsurance assets	740,829	729,299	719,164
<b>Total assets</b>	<b>3,443,828</b>	<b>3,161,661</b>	<b>3,313,171</b>
Equity	988,816	787,955	955,981
Liabilities in respect of insurance contracts	2,009,068	1,970,889	1,926,644
Other liabilities	445,944	402,817	430,546
<b>Total equity and liabilities</b>	<b>3,443,828</b>	<b>3,161,661</b>	<b>3,313,171</b>

Following are principal comprehensive income data (NIS thousands)

	<b>Jan-March 2021</b>	<b>Jan-March 2020</b>	<b>Jan- December 2020</b>
Gross earned premiums	270,506	289,452	1,136,788
Premiums earned by reinsurers	(42,547)	(47,145)	(179,353)
<b>Premiums earned in retention</b>	<b>227,959</b>	<b>242,307</b>	<b>957,435</b>
Gains (losses) on investments, net and financing income	25,801	(123,801)	(15,930)
Income from commissions	11,713	12,918	46,725
<b>Total revenue</b>	<b>265,473</b>	<b>131,424</b>	<b>988,230</b>
Payments and change in liability for insurance contracts, in retention	(146,627)	(141,679)	(514,404)
Total other expenses	(68,811)	(85,380)	(314,508)
<b>Income (loss) before taxes on income</b>	<b>50,035</b>	<b>(95,635)</b>	<b>159,318</b>
Tax benefit (taxes on income)	(17,200)	31,368	(55,559)
<b>Income (loss) for the period and total comprehensive income (loss) for the period</b>	<b>32,835</b>	<b>(64,267)</b>	<b>103,759</b>

#### **Capital and capital requirements**

As at March 31, 2021, equity amounted to NIS 988.8 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 32.8 million for the period.

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

#### **Solvency-II-based economic solvency regime in insurance companies**

In July 2019, the Company made a full transition to an economic solvency ratio regime. For details regarding the regulation applicable to the implementation of a Solvency-II-based economic solvency regime in insurance companies, see section 3 of the Board of Directors' Report for 2020.



Presented below are data concerning solvency ratio and MCR:

a. Solvency ratio (NIS thousands):

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Actual Capital for purposes of solvency capital requirement	1,126,734	1,032,523
Solvency capital requirement (SCR)	530,187	519,055
<b>Surplus</b>	<b>596,547</b>	<b>513,468</b>
Solvency ratio (%)	213%	199%

There were no subsequent events which materially impacted the Company's yearend Solvency amounts. 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):

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Minimum capital requirement (MCR)	180,552	180,321
Equity for purposes of MCR	1,126,732	1,032,523

c. Solvency ratio excluding allowances made for the deployment period (NIS thousands):

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Actual Capital for purposes of solvency capital requirement	1,126,734	1,032,523
Solvency capital requirement (SCR)	669,527	701,972
<b>Surplus</b>	<b>457,207</b>	<b>330,551</b>
Solvency ratio as at the date of the report (%)	168%	147%
<b>Surplus in relation to the Directors' Solvency Target</b>		
Target Solvency ratio as set by Directors (%)	130%	130%
<b>Surplus in relation to the Directors' target</b>	<b>256,349</b>	<b>119,959</b>

The calculation performed by the Company as at December 31, 2020 was reviewed by the auditors of the Company, in accordance with ISAE 3400. For additional information on the solvency ratio, see the Company's economic solvency ratio report as at December 31, 2020, posted on the Company's website: <https://www.aig.co.il/about/repayment-ratio>.

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



#### 4. Results of operations

The Company's total gross premiums amounted to NIS 340.5 million in the reported period, as compared to NIS 331.9 million in the corresponding period in 2020, an increase of 2.6%. The increase in gross premiums in the reported period stems mainly from the vehicle property insurance and compulsory vehicle insurance sectors.

Total premiums in retention amounted to NIS 282.2 million in the reported period, as compared to NIS 275.4 million in the corresponding period in 2020, an increase of 2.5%. The increase in premiums in retention in the reported period stems mainly from the vehicle property insurance and compulsory vehicle insurance sectors.

#### Premiums by principal operating segments (NIS thousands):

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

Jan-March 2020	Life insurance	Health insurance	General insurance	Total
Gross	37,074	42,931	251,851	331,856
In retention	29,595	42,231	203,594	275,420
% of total gross	11.2	12.9	75.9	100.0
% of retention	10.7	15.3	74.0	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-March 2021	Jan-March 2020	Jan-Dec 2020
(Loss) from compulsory vehicle insurance	(1,784)	(26,424)	(22,250)
Income (loss) from vehicle property insurance	12,719	(7,825)	70,663
Income (loss) from home insurance	4,022	(2,565)	30,963
Income (loss) from health insurance	5,529	(618)	7,928
Income from life insurance	6,692	10,003	37,296
Income (loss) from commercial insurance	4,297	(14,650)	46,225
Other - Income (loss) not allocated to any segment	18,560	(53,556)	(11,507)
<b>Income (loss) before taxes on income</b>	<b>50,035</b>	<b>(95,635)</b>	<b>159,318</b>
Tax benefit (taxes on income)	(17,200)	31,368	(55,559)
<b>Income (loss) for the period and total comprehensive income (loss) for the period</b>	<b>32,835</b>	<b>(64,267)</b>	<b>103,759</b>

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



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

- a. The comprehensive income of the Company amounted to NIS 32.8 million in the reported period, as compared to a comprehensive loss of NIS 64.3 million in the corresponding period in 2020. Pre-tax profit in the reported period amounted to NIS 50 million, as compared to loss of 95.6 million in the corresponding period in 2020. The increase in profit was due mainly to gains on investments in the reported period, 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 amounted to NIS 22.5 million, as compared to NIS 27.5 million in the corresponding period in 2020. This decrease was due mainly to the higher claims' ratio in compulsory vehicle insurance.
- b. Net gains on investments amounted to NIS 25.8 million in the reported period, as compared to losses on investments of NIS 123.8 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 price 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).
- c. The loss of the Company from compulsory vehicle insurance amounted to NIS 1.8 million in the reported period, as compared to loss of NIS 26.4 million in the corresponding period in 2020. The materially lower loss in the reported period compared to the corresponding period was due a substantial improvement in gains on investments as compared to the first quarter of 2020. The Company's underwriting loss from compulsory vehicle insurance amounted to NIS 5.8 million in the reported period, as compared to profit of NIS 3.5 million in the corresponding period in 2020. The decrease in the underwriting profit 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.
- d. The profit of the Company from vehicle property insurance in the reported period was NIS 12.7 million, as compared to loss of NIS 7.8 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 a substantial improvement in gains on investments compared to the first quarter of 2020. The underwriting profit of the Company from vehicle property insurance amounted to NIS 11.1 million in the reported period, as compared to profit of NIS 4.9 million in the corresponding period in 2020. The increase in the underwriting profit in the reported period was due to the reduced claims' ratio and expenses' ratio. A significant contributor to this low claims' ratio in this sector was the lower occurrence of road accidents as a result of the lockdowns that were imposed during the Coronavirus Event.
- e. The profit of the Company from home insurance amounted to NIS 4.0 million in the reported period, as compared to loss of NIS 2.6 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 a substantial improvement in gains on investments compared to the first quarter of 2020. The underwriting profit of the Company from home insurance amounted to NIS 3.2 million in the reported period, as compared to profit of NIS 2.9 million in the corresponding period in 2020.
- f. The profit of the Company from health insurance amounted to NIS 5.5 million in the reported period, as compared to loss of NIS 0.6 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 a substantial improvement in gains on investments compared to the first quarter of 2020. The underwriting profit of the Company from health insurance in the reported period was NIS 5.0 million, as compared to profit of NIS 4.8 million in the corresponding period in 2020. Within health insurance, an improvement was recorded in the underwriting profit from overseas travel insurance, as opposed to the decrease in the personal accidents and serious illness sectors as a result of the higher claims' ratio.
- g. The profit of the Company from life insurance was NIS 6.7 million in the reported period, as compared to profit of NIS 10.0 million in the corresponding period in 2020. The decrease in profit was due to the higher claims' ratio and expenses' ratio.
- h. The profit of the Company from professional liability insurance in the reported period was NIS 2.6 million, as compared to loss of NIS 7.4 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 a substantial improvement in gains on investments compared to the first quarter of 2020. The underwriting profit of the Company from professional liability insurance amounted to NIS 1.5 million in the reported period, as compared to profit of



NIS 0.3 million in the corresponding period in 2020. The increase in the underwriting profit in the reported period was due to the reduction in both the claims' ratio and the expenses' ratio.

- i. The profit of the Company from other property insurance amounted to NIS 1.0 million in the reported period, as compared to a loss of NIS 1.3 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 a substantial improvement in gains on investments compared to the first quarter of 2020. The Company's underwriting profit from other property insurance amounted to NIS 0.9 million in the reported period, as compared to loss of NIS 4 thousand in the corresponding period in 2020. The increase in the underwriting profit in the reported period was due mainly to the reduction in net expenses.
- j. The profit of the Company from other liability insurance amounted to NIS 0.7 million in the reported period, as compared to loss of NIS 5.9 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 a substantial improvement in gains on investments compared to the first quarter of 2020. The underwriting loss of the Company from other liability insurance in the reported period was NIS 0.1 million, as compared to profit of NIS 1.2 million in the corresponding period in 2020. The decrease in profit 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-March 2021	Jan- March 2020	Jan-Dec 2020
Vehicle property	11,074	4,885	71,329
Home	3,198	2,853	30,692
Other property sectors	890	(4)	(185)

**b. Principal data regarding the claims' ratio<sup>2</sup> (Loss Ratio "LR") and the claims' and expenses' ratio (Combined Ratio "CR"):**

	Jan-March 2021		Jan- March 2020		Jan-Dec 2020	
	LR%	CR%	LR%	CR%	LR%	CR%
<b>Vehicle property:</b>						
Gross	67%	88%	69%	95%	58%	81%
In retention	67%	88%	69%	95%	58%	81%
<b>Property<sup>3</sup>:</b>						
Gross	52%	81%	94%	124%	52%	81%
In retention *	56%	90%	56%	90%	40%	74%

\* The aforesaid ratios are to a large extent affected by the low retention remaining in those sectors after reinsurance.

**5. Cash flows and liquidity**

Net cash used in operating activities in the reported period was NIS 12.5 million, compared to NIS 27.5 million provided by operating activities in the corresponding period in 2020.

Net cash used in investing activities in the reported period amounted to NIS 2.5 million, compared to NIS 3.0 million in the corresponding period in 2020.

Net cash used in financing activities in the reported period amounted to NIS 1.3 million, compared to NIS 1.3 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 17.7 million and amounted to NIS 79.7 million as at March 31, 2021.

<sup>2</sup> 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.

<sup>3</sup> Home and other property sectors.



## **6. Sources of funding**

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

## **7. Material 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.

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

### **Controls and procedures applied to disclosure**

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

### **Internal controls over financial reporting**

In the course of the quarter ending on March 31, 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.

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Edward Levin  
Chairman of the Board of Directors

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Yfat Reiter  
CEO

May 25, 2021

# **AIG Israel Insurance Company Ltd**

## **Declarations relating to the Financial Statements**





## **Declaration**

I, David Rothstein hereby declare that:

1. I reviewed the interim report of AIG Israel Insurance Company Ltd. (hereafter – "the insurance company") for the quarter ended March 31, 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 disclosure<sup>1</sup> 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

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

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

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

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

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David Rothstein - CFO

May 25, 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 March 31, 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 disclosure<sup>1</sup> 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

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

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

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

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

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Yfat Reiter - CEO

May 25, 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 March 31, 2021, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation management believes that as at March 31, 2021 the internal control of the Insurance Company over financial reporting is effective.

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Mr. Edward Levin  
Chairman of the Board

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Ms. Yfat Reiter  
CEO

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Mr. David Rothstein  
CFO

Date of approval of financial statements: May 25, 2021

**AIG Israel Insurance Company Ltd.**

**Condensed Interim Financial Statements  
(Unaudited)  
As at March 31, 2021**

**Condensed Interim Financial Statements as at March 31, 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 March 31, 2021 and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with the provisions of International Accounting Standard No. 34, ‘Interim Financial Reporting’ (hereafter “IAS 34”), and they are also responsible for the preparation of the financial information for this interim period in accordance with the disclosure requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981. Our responsibility is to express a conclusion with respect to the financial information for this interim period, based on our review.

### **Scope of review**

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

### **Conclusion**

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

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

### **Emphasis of a matter**

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

Somekh Chaikin  
Certified Public Accountants (Isr.)

March 25, 2021

**Condensed Interim Statements of Financial Position as at**

	<b>March 31, 2021</b>	<b>March 31, 2020</b>	<b>December 31, 2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>NIS thousands</b>	<b>NIS thousands</b>	<b>NIS thousands</b>
<b>Assets</b>			
Intangible assets	25,138	22,632	25,698
Deferred acquisition costs	174,725	165,061	160,629
Property and equipment	31,112	36,106	33,329
Reinsurance assets	740,829	729,299	719,164
Premiums collectible	200,643	199,576	170,119
Current tax assets	11,599	4,014	5,230
Deferred tax assets, net	-	40,932	-
Other receivables	45,048	46,013	72,363
	<u>1,229,094</u>	<u>1,243,633</u>	<u>1,186,532</u>
<b>Financial investments</b>			
Marketable debt instruments	1,951,074	1,675,113	1,851,550
Non-marketable debt instruments	77,580	83,809	83,903
Other	106,406	78,045	93,782
<b>Total financial investments</b>	<u>2,135,060</u>	<u>1,836,967</u>	<u>2,029,235</u>
Cash and cash equivalents	<u>79,674</u>	<u>81,061</u>	<u>97,404</u>
<b>Total assets</b>	<u><u>3,443,828</u></u>	<u><u>3,161,661</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 statements:  
May 25, 2021

**Condensed Interim Statements of Financial Position as at**

	<b>March 31, 2021</b>	<b>March 31, 2020</b>	<b>December 31, 2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>NIS thousands</b>	<b>NIS thousands</b>	<b>NIS thousands</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	6	6	6
Share premium	250,601	250,601	250,601
Capital reserves	15,708	15,708	15,708
Retained earning	722,501	521,640	689,666
<b>Total equity attributable to equity holders of the Company</b>	<b>988,816</b>	<b>787,955</b>	<b>955,981</b>
<b>Liabilities</b>			
Liabilities in respect of insurance contracts that are not yield dependent	2,009,068	1,970,889	1,926,644
Liabilities in respect of deferred taxes, net	9,683	-	2,664
Retirement benefit obligation, net	5,057	5,279	5,007
Liabilities to reinsurers	317,873	280,339	294,061
Other payables	113,331	117,199	128,814
<b>Total liabilities</b>	<b>2,455,012</b>	<b>2,373,706</b>	<b>2,357,190</b>
<b>Total equity and liabilities</b>	<b>3,443,828</b>	<b>3,161,661</b>	<b>3,313,171</b>

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

**Condensed Interim Statements of Profit or Loss and Other Comprehensive Income**

	Three-month period ended March 31		Year ended December 31, 2020
	2021	2020	2020
	(Unaudited) NIS thousands	(Unaudited) NIS thousands	(Audited) NIS thousands
Gross earned premiums	270,506	289,452	1,136,788
Premiums earned by reinsurers	(42,547)	(47,145)	(179,353)
Premiums earned in retention	227,959	242,307	957,435
Gains (losses) on investments, net and financing income	25,801	(123,801)	(15,930)
Commission income	11,713	12,918	46,725
<b>Total income</b>	<b>265,473</b>	<b>131,424</b>	<b>988,230</b>
Payments and change in liabilities with respect to insurance contracts, gross	(176,555)	(188,816)	(671,169)
Share of reinsurers in increase of insurance liability and payments for insurance contracts	29,928	47,137	156,765
Payments and change in liabilities with respect to insurance contracts, in retention	(146,627)	(141,679)	(514,404)
Commissions, marketing expenses and other acquisition costs	(51,540)	(57,711)	(231,625)
General and administrative expenses	(18,986)	(28,307)	(81,784)
Financing income (expenses), net	1,715	638	(1,099)
<b>Total expenses</b>	<b>(215,438)</b>	<b>(227,059)</b>	<b>(828,912)</b>
<b>Income (loss) before taxes on income</b>	<b>50,035</b>	<b>(95,635)</b>	<b>159,318</b>
Tax benefit (taxes on income)	(17,200)	31,368	(55,559)
<b>Income (loss) for the period and total comprehensive income (loss) for the period</b>	<b>32,835</b>	<b>(64,267)</b>	<b>103,759</b>
<b>Basic earnings per share:</b>			
Basic earnings (loss) per share	5.73	(11.22)	18.11
Number of shares used in calculating basic earnings per share	5,730	5,730	5,730

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

**Condensed Interim Statements of Changes in Equity**

	Share capital	Share premium	Other reserves	Retained earnings	Total
	NIS thousands				
<b>Three-month period ended March 31, 2021</b>					
<b>Balance as at January 1, 2021</b> (audited)	6	250,601	15,708	689,666	955,981
Total comprehensive income for the period				32,835	32,835
<b>Balance as at March 31, 2021</b> (unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>722,501</u>	<u>988,816</u>
<b>Three-month period ended March 31, 2020</b>					
<b>Balance as at January 1, 2020</b> (audited)	6	250,601	15,708	585,907	852,222
Total comprehensive loss for the period				(64,267)	(64,267)
<b>Year ended December 31, 2020</b>					
<b>Balance as at January 1, 2020</b> (audited)	6	250,601	15,708	585,907	852,222
Total comprehensive income for the year				103,759	103,759
<b>Balance as at December 31, 2020</b> (unaudited)	<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**

	<b>Three-month period ended March 31</b>		<b>Year ended December 31,</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>NIS thousands</b>	<b>NIS thousands</b>	<b>NIS thousands</b>
<b>Cash flows from operating activities:</b>			
Net cash provided by operations (Appendix A)	18,588	44,691	88,229
Interest paid	(109)	(135)	(502)
Interest received	20,546	20,112	55,954
Income taxes paid	(61,536)	(46,039)	(89,411)
Income taxes received	9,979	8,844	8,844
Net cash provided by (used in) operating activities	<u>(12,532)</u>	<u>27,473</u>	<u>63,114</u>
<b>Cash flows from investing activities:</b>			
Changes in assets covering equity and non-insurance liabilities:			
Investment in property and equipment	(21)	(1,015)	(5,167)
Investment in intangible assets	(2,511)	(2,021)	(13,932)
Net cash used in investing activities	<u>(2,532)</u>	<u>(3,036)</u>	<u>(19,099)</u>
<b>Cash flows from financing activities:</b>			
Repayment of principal of lease liabilities	(1,338)	(1,312)	(5,287)
Net cash used in financing activities	<u>(1,338)</u>	<u>(1,312)</u>	<u>(5,287)</u>
Impact of exchange rate fluctuations on cash and cash equivalent balances	<u>(1,328)</u>	<u>(62)</u>	<u>678</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(17,730)</b>	<b>23,063</b>	<b>39,406</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>97,404</b>	<b>57,998</b>	<b>57,998</b>
<b>Cash and cash equivalents at end of period</b>	<b><u>97,404</u></b>	<b><u>57,998</u></b>	<b><u>57,998</u></b>

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

**Condensed Interim Statements of Cash Flows**

	Three-month period ended		Year ended
	March 31		December 31,
	2021	2020	2020
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Appendix A - cash flows from operating activity:</b>			
Income (loss) for the period	32,835	(64,267)	103,759
Adjustments for -			
<b>Income and expenses not involving cash flows:</b>			
Change in liabilities for insurance contracts that are not yield dependent	82,424	66,683	22,438
Change in reinsurance assets	(21,665)	(28,114)	(17,979)
Change in deferred acquisition costs	(14,096)	(7,675)	(3,243)
Taxes on income	17,200	(31,368)	55,559
Change in retirement benefit obligations, net	50	-	(272)
Depreciation of property and equipment	2,238	2,285	9,214
Amortization of intangible assets	3,071	11,111	19,956
Losses (gains), net, on financial investments:			
Marketable debt instruments	6,651	121,705	65,028
Non-marketable debt instruments	5,256	4,806	(4,486)
Marketable exchange traded notes	(12,624)	21,692	5,826
Impact of fluctuation in exchange rate on cash and cash equivalents	1,328	62	(678)
	<u>69,833</u>	<u>161,187</u>	<u>151,363</u>
<b>Changes in assets and liabilities:</b>			
Liabilities to reinsurers	23,812	1,828	15,550
Investments in financial assets, net	(105,108)	997	(109,436)
Premiums collectible	(30,524)	(20,671)	8,786
Other receivables	27,315	(4,579)	(30,933)
Other payables	(14,145)	(9,823)	5,767
Current tax assets (current tax liabilities), net	35,007	(4)	(1,175)
	<u>(63,643)</u>	<u>(32,252)</u>	<u>(111,441)</u>
<b>Adjustments for interest and dividend:</b>			
Interest paid	109	135	502
Interest received	(20,546)	(20,112)	(55,954)
	<u>(20,437)</u>	<u>(19,977)</u>	<u>(55,452)</u>
<b>Net cash provided by operations</b>	<u>18,588</u>	<u>44,691</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 Interim Financial Statements

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### 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. Investment contracts – policies that do not constitute insurance contracts.
5. Reinsurance assets – the reinsurer's share in the reserves for insurance contracts and in the contingent claims.
6. 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).
7. Shareholders' Equity Regulations - The Supervision of Insurance Business Regulations (minimum shareholders' equity required from an insurer), 1998 and amendments as amended.
8. 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.
9. Liability for insurance contracts - Insurance reserves and outstanding claims.
10. Premiums - Premiums including fees and proceeds for related services
11. Premiums earned - premiums that relate to the reporting period.

**Notes to the Condensed Interim Financial Statements**

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**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. For additional information on the effects of the Coronavirus Event in 2020 and the related actions taken by the Company, see the Company’s financial statements 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 5.4 million individuals in Israel have received the first dose of the vaccination, of which 5 million have also been administered the second dose.

As of the date of publication of the report, the Israeli economy has resumed full activity under some restrictions and subject to the directives of the “Green Pass” and the “Purple Pass”. To the date of publication of the periodic report as at March 31, 2021, 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.

**Note 2 - Basis of Preparation of Financial Statements****A. Statement of compliance**

The condensed interim financial statements (hereinafter - “the interim financial information”) has been prepared in accordance with the provisions of International Accounting Standard No. 34 - “Interim Financial Reporting” (hereinafter - “IAS 34”) and do not include all of the information required for full annual financial statements, and in accordance with the disclosure requirements of the Supervision Law and the regulations promulgated thereunder. The interim financial information should be read in conjunction with the annual financial statements as at December 31, 2020 and for the year ended on that date (hereinafter – “the 2020 annual financial statements of the Company”).

The condensed interim financial statements were approved for publication by the Board of Directors of the Company on May 25, 2021.

**B. Use of estimates and judgments**

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

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

## Notes to the Condensed Interim Financial Statements

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### 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.

- **Motor vehicle property sector**

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

- **Home insurance sector**

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

**Notes to the Condensed Interim Financial Statements**

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

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

**• Other property sectors**

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

**• Other liability sectors**

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

## Notes to the Condensed Interim Financial Statements

## Note 4 - Segment Information (cont'd)

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

## Notes to the Condensed Interim Financial Statements

## Note 4 - Segment Information (cont'd)

## C. General insurance segment (cont'd)

	Three-month period ended March 31, 2020 (unaudited)				Total
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	
	NIS thousands				
Gross earned premiums	37,510	44,553	207,389		289,452
Premiums earned by Reinsurers	(7,480)	(700)	(38,965)		(47,145)
<b>Premiums earned in retention</b>	<b>30,030</b>	<b>43,853</b>	<b>168,424</b>		<b>242,307</b>
Gains (losses) on investments, net	1	(5,377)	(64,636)	(53,789)	(123,801)
Commission income	2,415	71	10,432		12,918
<b>Total income</b>	<b>32,446</b>	<b>38,547</b>	<b>114,220</b>	<b>(53,789)</b>	<b>131,424</b>
Payments and change in liabilities with respect to insurance contracts (gross)	(11,809)	(22,150)	(154,857)		(188,816)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	2,579	650	43,908		47,137
Payments and change in liabilities with respect to insurance contracts, in retention	(9,230)	(21,500)	(110,949)		(141,679)
Commissions and other acquisition costs	(9,059)	(11,719)	(36,933)		(57,711)
General and administrative expenses	(4,154)	(5,946)	(18,207)		(28,307)
Financing income, net	-	-	405	233	638
<b>Total comprehensive income (loss) before taxes on income</b>	<b>10,003</b>	<b>(618)</b>	<b>(51,464)</b>	<b>(53,556)</b>	<b>(95,635)</b>
Liabilities for insurance contracts, gross, as of March 31, 2020	59,292	101,692	1,809,905		1,970,889

## Notes to the Condensed Interim Financial Statements

## Note 4 - Segment Information (cont'd)

## C. General insurance segment (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)
<b>Premiums earned in retention</b>	<b>127,827</b>	<b>148,068</b>	<b>681,540</b>		<b>957,435</b>
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
<b>Total income</b>	<b>135,177</b>	<b>147,797</b>	<b>714,083</b>	<b>(8,827)</b>	<b>988,230</b>
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 for 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)
<b>Total comprehensive income (loss) before taxes on income</b>	<b>46,225</b>	<b>37,296</b>	<b>87,304</b>	<b>(11,507)</b>	<b>159,318</b>
Liabilities for insurance contracts, gross, as of December 31, 2020	55,298	79,516	1,791,830		1,926,644

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

## Notes to the Condensed Interim Financial Statements

## Note 4 - Segment Information (cont'd)

## Additional information relating to general insurance segment:

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

\* Other property sectors reflect mainly the results of the property loss insurance sector, which accounts for 98% of the total premiums attributable to these sectors. Other liability sectors reflect mainly the results of the product liability insurance sector, which accounts for 54% of the total premiums attributable to these sectors.



## Notes to the Condensed Interim Financial Statements

## Note 4 - Segment Information (cont'd)

## Additional information relating to general insurance segment (continued):

	Nine-month period ended March 31, 2020 (unaudited)						Total
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors*	
	NIS thousands						
Gross premiums	54,236	112,722	36,371	25,725	11,355	11,442	251,851
Reinsurance premiums	(752)	-	(2,953)	(23,357)	(11,264)	(9,931)	(48,257)
Premiums in retention	53,484	112,722	33,418	2,368	91	1,511	203,594
Change in balance of unearned premiums, in retention	(9,316)	(20,541)	(4,326)	(738)	31	(280)	(35,170)
<b>Premiums earned in retention</b>	<b>44,168</b>	<b>92,181</b>	<b>29,029</b>	<b>1,630</b>	<b>122</b>	<b>1,231</b>	<b>168,424</b>
Gains on investments, net	(29,954)	(12,874)	(5,643)	(7,746)	(1,310)	(7,109)	(64,636)
Commission income	-	-	286	5,286	2,885	1,975	10,432
<b>Total income</b>	<b>14,214</b>	<b>79,307</b>	<b>23,735</b>	<b>(830)</b>	<b>1,697</b>	<b>(3,903)</b>	<b>114,220</b>
Increase in insurance liabilities and payments with respect to insurance contracts	(33,913)	(63,565)	(16,728)	(9,823)	(24,521)	(6,307)	(154,857)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	4,441	-	605	8,185	24,275	6,402	43,908
Increase in insurance liabilities and payments with respect to insurance contracts, in retention	(29,472)	(63,565)	(16,123)	(1,638)	(246)	95	(110,949)
Commissions, marketing expenses and other acquisition costs	(5,942)	(14,152)	(7,530)	(4,665)	(2,621)	(2,023)	(36,933)
General and administrative expenses	(5,224)	(9,579)	(2,872)	(299)	(144)	(89)	(18,207)
Financing income, net	-	164	225	9	-	7	405
<b>Total expenses</b>	<b>(40,638)</b>	<b>(87,132)</b>	<b>(26,300)</b>	<b>(6,593)</b>	<b>(3,011)</b>	<b>(2,010)</b>	<b>(165,684)</b>
<b>Total comprehensive loss before taxes on income</b>	<b>(26,424)</b>	<b>(7,825)</b>	<b>(2,565)</b>	<b>(7,423)</b>	<b>(1,314)</b>	<b>(5,913)</b>	<b>(51,464)</b>
Liabilities with respect to insurance contracts, gross, as at							
March 31, 2020	753,700	288,597	131,154	274,696	101,744	260,014	1,809,905
Net liabilities with respect to insurance contracts, retention as at March 31, 2020	601,313	288,597	124,521	40,217	1,566	40,546	1,096,760

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

	Year ended December 31, 2020 (audited)						Total
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability NIS thousands	Other property sectors*	Other liability sectors*	
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)
<b>Premiums earned in retention</b>	<b>181,992</b>	<b>370,121</b>	<b>117,483</b>	<b>7,248</b>	<b>391</b>	<b>4,305</b>	<b>681,540</b>
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
<b>Total income</b>	<b>178,961</b>	<b>368,774</b>	<b>118,061</b>	<b>28,850</b>	<b>9,020</b>	<b>10,417</b>	<b>714,083</b>
Payments and change in insurance 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 changes 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
<b>Total expenses</b>	<b>(201,211)</b>	<b>(298,111)</b>	<b>(87,098)</b>	<b>(23,383)</b>	<b>(9,318)</b>	<b>(7,658)</b>	<b>(626,779)</b>
<b>Total comprehensive income (loss) before taxes on income</b>	<b>(22,250)</b>	<b>70,663</b>	<b>30,963</b>	<b>5,467</b>	<b>(298)</b>	<b>2,759</b>	<b>87,304</b>
Liabilities with respect to 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 liability insurance sector, which accounts for 45% of the total premiums attributable to these sectors.

## Notes to the Condensed Interim Financial Statements

## Note 4 - Segment Information (cont'd)

## 4.1 Additional information relating to life insurance segment:

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

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

## Three-month period ended March 31, 2020 (unaudited):

	<u>Policies not containing savings element</u>	<u>Total</u>
	<u>Risk sold as single policy</u>	
	<u>Private</u>	
	<u>NIS thousands</u>	<u>NIS thousands</u>
Gross risk premiums	37,074	37,074
Payments and change in liabilities with respect to insurance contracts, gross	11,809	11,809

## Year ended December 31, 2020 (audited):

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

## Notes to the Condensed Interim Financial Statements

### Note 4 - Segment Information (cont'd)

#### 4.2 Additional information relating to healthcare segment:

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

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

\* Consists primarily of policies issued to individuals.

##### Three-month period ended March 31, 2020 (unaudited):

	<u>Long-term</u> <u>NIS thousands</u>	<u>Short-term</u> <u>NIS thousands</u>	<u>Total</u> <u>NIS thousands</u>
Gross premiums	38,315	4,616	* 42,931
Payments and change in liabilities with respect to insurance contracts, gross	16,336	5,814	22,150

\* Consists primarily of policies issued to individuals.

##### Year ended December 31, 2020 (audited):

	<u>Long-term</u> <u>NIS thousands</u>	<u>Short-term</u> <u>NIS thousands</u>	<u>Total</u> <u>NIS thousands</u>
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

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

## Notes to the Condensed Interim Financial Statements

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

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

3. The directives of the Commissioner prescribe, inter alia, transitional provisions that allow the gradual deployment of the capital requirements until December 31, 2024.
4. According to the Commissioner's guidelines from October 1, 2017 concerning dividend distributions, an insurance company that distributes a dividend is required to deliver to the Commissioner, within 20 business days of the date of distribution, all of the following:
  - An annual profit forecast for the two years following the dividend distribution date;
  - An updated debt service plan of the insurance company approved by the Company's Board of Directors, as well as an updated debt service plan of the holding company that holds the insurance company that was approved by the board of directors of the holding company;
  - An updated capital management plan approved by the Board of Directors of the insurance company, which also includes extensive reference to meeting the repayment ratio target set by the Board of Directors over time;
  - A copy of the minutes of the Board of Directors of the insurance company in which the distribution of the dividend was approved, together with the background material for the discussion.
5. According to the solvency ratio report as at December 31, 2020, the Company has surplus capital independent of the transitional provisions. For additional information, see Section 3 of the Directors' Report (Solvency II-Based Economic Solvency Regime in Insurance Companies).

### Note 6 - Financial Instruments and Financial Risks

#### A. Fair value hierarchy:

The various levels of fair value are determined as follows:

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

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

Pursuant to the aforesaid, during the 3 months ended March 31, 2019, no fair value amounts in respect of financial assets were transferred into or out of the various levels of the hierarchy.

#### B. The fair value of financial assets and financial liabilities

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

## Notes to the Condensed Interim Financial Statements

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

## C. Composition of financial investments:

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

	March 31, 2020 (unaudited)		
	Measured at fair value through profit or loss	Loans and receivables	Total
	NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments (1)	1,675,113	-	1,675,113
Non-marketable debt instruments (2)	-	83,809	83,809
Other (3)	78,045	-	78,045
Total	1,753,158	83,809	1,836,967

	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):

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

## 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):

	March 31, 2020 (Unaudited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	645,406	639,012
<u>Other debt assets:</u>		
other non-convertible debt assets	1,029,707	1,087,806
Total marketable debt assets	<u>1,675,113</u>	<u>1,726,818</u>

	December 31, 2020 (Audited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	712,493	671,298
<u>Other debt assets:</u>		
other non-convertible debt assets	1,139,057	1,115,681
Total marketable debt assets	<u>1,851,550</u>	<u>1,786,979</u>

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

	March 31, 2021 (Unaudited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	743	930
Presented at amortized cost, excluding bank deposits	76,837	77,114
Total non-marketable debt assets	<u>77,580</u>	<u>78,044</u>

	March 31, 2020 (Unaudited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	868	1,051
Presented at amortized cost, excluding bank deposits	82,941	83,463
Total non-marketable debt assets	<u>83,809</u>	<u>84,514</u>

## 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):

	<b>December 31, 2020</b>	
	<b>(Audited)</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
	<b>NIS thousands</b>	<b>NIS thousands</b>
Bank deposits	909	1,093
Presented at amortized cost, excluding bank deposits	82,994	83,268
Total non-marketable debt assets	<u>83,903</u>	<u>84,361</u>

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

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

	<b>March 31, 2020</b>	
	<b>(Unaudited)</b>	
	<b>Carrying amount</b>	<b>Cost</b>
	<b>NIS thousands</b>	<b>NIS thousands</b>
Marketable financial investments	78,045	97,746

	<b>December 31, 2020</b>	
	<b>(Audited)</b>	
	<b>Carrying amount</b>	<b>Cost</b>
	<b>NIS thousands</b>	<b>NIS thousands</b>
Marketable financial investments	93,782	95,837



## Notes to the Condensed Interim Financial Statements

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### 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**

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**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 April 2020, additional evidentiary hearings were held. The next evidentiary hearing has been scheduled for May 5, 2021.

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.

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.

**Notes to the Condensed Interim Financial Statements**

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**Note 7 - Contingent Liabilities - Class Action (cont'd)****A. Motions to certify class actions (cont'd)**

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.

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.

## Notes to the Condensed Interim Financial Statements

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

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

##### 4. (cont'd)

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.

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.

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.

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.

**Notes to the Condensed Interim Financial Statements**

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**Note 7 - Contingent Liabilities - Class Action (cont'd)****A. Motions to certify class actions (cont'd)****5. (cont'd)**

At the conclusion of the evidentiary hearings, summations have been scheduled. The petitioner has submitted its summations and the respondents are preparing their summations.

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. A ruling has not yet been given.

The court requested to receive data and clarifications concerning the size of the class and the potential alleged damage. Management of the Company and its legal counsel are preparing such data. As at the reporting date, the financial implication of the payment of compensation and fees under the withdrawal arrangement is not expected to have a material effect on the financial statements.

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

## Notes to the Condensed Interim Financial Statements

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

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

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.

In April 2021, the court notified the parties that the case will be handed over to a different judge, who has brought forward the examinations of the declarants to July 14, 2021 and scheduled oral summations for July 20, 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.

## Notes to the Condensed Interim Financial Statements

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

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

##### 8. (cont'd)

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.

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.

**Notes to the Condensed Interim Financial Statements**

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**Note 7 - Contingent Liabilities - Class Action (cont'd)****A. Motions to certify class actions (cont'd)****9. (cont'd)**

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.

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 Nachum and Nir claims will be deliberated jointly against all of the defendants that they have named and that were also named in the Manirav claim concerning vehicle insurance policies. Additionally, the Manirav 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 the Nir and Nachum claims. Additionally, it has been determined that Manirav 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 Nir and Nachum are to be filed not later than April 7, 2021. All statements of response by the respondents, both to the Nir and Nachum motion to certify and to the Manirav motion, are to be submitted not later than July 15, 2021.

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



**Notes to the Condensed Interim Financial Statements**

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**Note 7 - Contingent Liabilities - Class Action (cont'd)****A. Motions to certify class actions (cont'd)**

- 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.

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.

**Notes to the Condensed Interim Financial Statements**

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**Note 7 - Contingent Liabilities - Class Action (cont'd)****A. Motions to certify class actions (cont'd)****10. (cont'd)**

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 the Nachum and Nir claims will be deliberated jointly against all of the defendants that they have named and that were also named in the Manirav claim concerning vehicle insurance policies. Additionally, the Manirav 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 the Nir and Nachum claims. Additionally, it has been determined that Manirav 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 Nir and Nachum are to be filed not later than April 7, 2021. All statements of response by the respondents, both to the Nir and Nachum motion to certify and to the Manirav motion, are to be submitted not later than July 15, 2021.

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.

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

**Notes to the Condensed Interim Financial Statements**

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**Note 7 - Contingent Liabilities - Class Action (cont'd)****A. Motions to certify class actions (cont'd)**

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.

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which the Nachum and Nir claims will be deliberated jointly against all of the defendants that they have named and that were also named in the Manirav claim concerning vehicle insurance policies. Additionally, the Manirav 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 the Nir and Nachum claims. Additionally, it has been determined that Manirav 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 Nir and Nachum are to be filed not later than April 7, 2021. All statements of response by the respondents, both to the Nir and Nachum motion to certify and to the Manirav motion, are to be submitted not later than July 15, 2021.

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

## Notes to the Condensed Interim Financial Statements

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

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

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 17, 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.

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

	<b>Number of claims</b>	<b>The amount claimed - NIS thousands</b>
<b>Pending petitions for certification of class actions:</b>		
Amount of claim specified	9	179,371
Amount of claim not specified	3	-
Total	<u>12</u>	<u>179,371</u>

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, there is no material implication for the business results of the Company.