

# **AIG Israel Insurance Company Ltd**

## **Interim Financial Report**

**(Unaudited)**

**As of March 31, 2023**

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**Directors' report**  
**AIG Israel Insurance Company Ltd ("the Company")**  
**for the period ended March 31, 2023**

The directors' report on the business of the Company as of March 31, 2023 ("**the directors' report**"), reviews the Company and developments in its business in the first quarter of 2023 ("**the reported period**"). The information in this report is as of March 31, 2023 ("**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 2022 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:

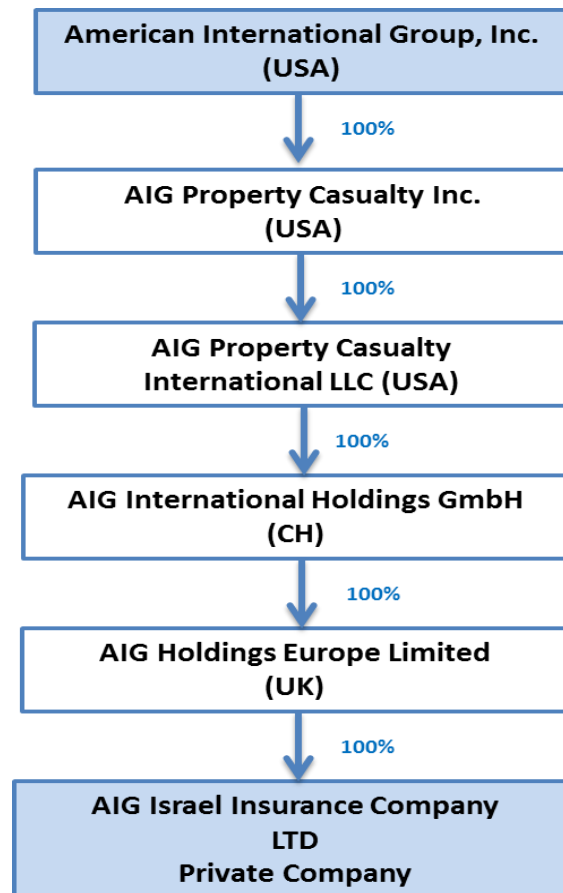
### 1.1 Organizational structure

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 (risk only), 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

## **2. Description of business environment:**

### General

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

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

### Developments in the company's macro-economic environment

In the reporting period, the Bank of Israel interest rate was raised several times, reaching 4.5%<sup>[1]</sup> as at the reporting date, while the GDP grew by 6.5% in 2022, the rate of inflation for the past twelve months (until March 2023) reached 5.0% and the unemployment rate in the working-age population (25-64) reached 3.2% in March 2023.

According to the most recent assessment published by the Bank of Israel<sup>[2]</sup>, GDP is expected to grow by 2.8% and 3.5% in 2023 and 2024, respectively, concurrently with the increase of the unemployment rate in the working-age population (25-64) to 4%. The monetary interest rate is expected to average 4% in the fourth quarter of 2023 and the rate of inflation in 2023 and 2024 is expected to reach 3.9% and 2.3, respectively.

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<sup>[1]</sup> According to the resolution of the Bank of Israel's Monetary Committee from April 3, 2023.

<sup>[2]</sup> The macroeconomic forecast of the Research Division from January 2, 2023.



The Company invests a significant portion of its investment portfolio in the capital market; therefore, the capital market yields in the various channels have a material effect on the profit of the Company.

On January 4, 2023, the Minister of Justice presented a plan concerning material changes to the Israeli judicial system, which generated a fierce public debate, both in support and against the move (“**the Plan**”). The political developments in Israel could raise the risk to the State’s economic and financial position.

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

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

	<b>Jan- March 2023</b>	<b>Jan- March 2022</b>	<b>2022</b>
<b>Government bonds indexes</b>			
General government bonds	0.0%	(4.3%)	(9.26%)
Linked government bonds	0.59%	(3.9%)	(9.83%)
NIS government bonds	(0.39%)	(4.5%)	(8.84%)
<b>Corporate bonds indexes</b>			
Tel Bond 60	0.28%	(2.7%)	(8.93%)
Tel Bond NIS	(0.86%)	(3.5%)	(7.01%)
<b>Share indexes</b>			
Tel-Aviv 125	(4.17%)	2.0%	(11.82%)
S&P 500	7.02%	(4.9%)	(19.44%)

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 2022 periodic report.



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

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

### **Circulars**

- In March 2023, the Commissioner published an amendment to the provisions of the consolidated circular concerning Reporting to the Commissioner - Version 11, which contains, inter alia, an update to the publication date of the profit components of the nostro portfolio of the insurance companies. According to the amendment, the aforesaid publication will be executed concurrently with the publication of quarterly financial statements.
- In May 2023, the Commissioner published an amendment to the provisions of the consolidated circular in the compulsory vehicle insurance sector, which is designed to update the net insurance premiums in the managing corporation of the Pool for Compulsory Vehicle Insurance Ltd. (hereinafter: "the Pool"), this in order to adjust the net insurance premiums in the Pool to the insured risk, which is based on the recommendations of the operator of the statistical database in the compulsory vehicle insurance sector, as published in the final report for the assessment of the cost of the pure risk in the compulsory vehicle insurance sector for 2020, and in order to ensure that the Pool rates do not exceed the maximum subsidies prescribed in the Motor Vehicle Insurance Regulations (Residual Insurance Arrangement and Rate Setting Mechanism), 2001 and in the Motor Vehicle Insurance Ordinance [New Version], 1970. Accordingly, the aforesaid amendment will include an average markup of 22% for private and commercial vehicles up to 3.5 tons, an average markup of 10% for motorcycles, and for specialty vehicles - a variable markup depending on the type of vehicle.

### **Drafts**

- In April 2023, the Commissioner published a third draft update to the roadmap for the adoption of International Financial Reporting No. 17 - Insurance Contracts, which contains updates in relation to the second update to the roadmap published in December 2022. The third draft update proposes, inter alia, to update the initial implementation date of IFRS 17, Insurance Contracts, and IFRS 9, Financial Instruments, to January 1, 2025 and to update the milestones for the years 2023 and 2024, based on said deferral of the initial implementation date.
- In April 2023, the Commissioner published a draft circular concerning Discounts and Cancellations in Life Insurance Policies, which proposes the establishment of provisions for the granting of discounts in life insurance policies, and the institution of a mechanism for the refund of the commission paid by the insurance company to a license holder that marketed a life insurance policy, both a one-time and a current commission ("the Marketing Commission"). Within this framework, it is proposed to determine that the rate of discount on the insurance premium offered to a policyholder and stipulated in the insurance contracts shall not decrease during the period from the commencement of the insurance to the end-date of the insurance period, and that the refund of the Marketing Commission as a result of cancellation of the policy shall be executed in accordance with the principles proposed in the draft. These directives will apply to any life insurance (risk) policy that is marketed as from the effective date of the circular (to the extent approved).

- In May 2023, the Commissioner published a notice concerning a further deferral of the effective date of the directives and circulars specified below (which, inter alia, define a standard format for transplants and special treatments abroad insurance policies, for drugs outside the Services Basket insurance policies, and for surgical procedures and non-surgical alternative treatments abroad insurance policies) to December 15, 2023. This is due, inter alia, to a corresponding reform in health insurance that is currently being discussed at the Knesset within the framework of the Economic Plan Bill (Legislation Amendments for the Implementation of the Economic Policy for Budget Years 2023 and 2024), 2023 Chapter 19 (Health), which (to the extent approved) will take effect on the said date; Draft Supervision of Financial Services Directives (Insurance) (Terms of an Insurance Contract for a Basic Health Insurance Policy) (Amendment No. 2), 2023; Draft Supervision of Financial Services Directives (Insurance) (Terms of an Insurance Contract for Surgical Procedures and Non-Surgical Alternative Treatments in Israel) (Amendment No. 3), 2023; Draft Amendment to the Provisions of the Consolidated Circular - Volume 6 Chapters 1, 2, 3, 4 and 6 - Drawing Up of a Health Insurance Plan; and Draft Amendment to the Institution and Marketing of Service Appendices Circular. It should be noted that the notice on said deferral as regarding the Institution and Marketing of Service Appendices Circular prescribes amendments and other modifications to the provisions of the circular, including in relation to criteria for the institution of a service appendix as well as provisions in relation to the marketing of a service appendix.

#### Bills

- In March 2023, the Economic Plan Bill (Legislation Amendments for the Implementation of the Economic Policy for Budget Years 2023 and 2024), 2023 (**"the Economic Plan Bill"**), Chapter 19 (Health), was published, which proposes an amendment to the Supervision of Financial Services (Insurance) Law, 1981 (**"the Supervision of Insurance Law"**), that will introduce provisions to the Supervision of Insurance Law in relation to instances in which an individual is entitled to insurance coverage for a surgical procedure in Israel, both by virtue of an insurance policy held by the individual and by virtue of an additional healthcare services plan (**"AHSP"**) offered by the HMO of which he is a member. The Bill also contains various provisions that shall apply to insurers and HMOs, which primarily obligate the insurance companies to pay in the case of a claim by an individual insured both under a "first shekel" commercial insurance policy and under the AHSP, such that if the individual elects to file a claim with the insurance company for the surgical procedure, the commercial insurance will cover the cost of the surgical procedure based on the terms of the policy, and if the individual elects to activate the AHSP and perform the surgical procedure within that plan, and also holds a private insurance policy, the commercial insurance will indemnify the AHSP up to the cost of the procedure, based on the pricelist of the Ministry of Health and based on the terms prescribed in the Bill. It is further proposed that, on the date of renewal of a "first shekel" insurance policy that takes place after the effective date of said law, the insurance company will transfer the individuals insured under said policy, who are also members of an AHSP, to an "AHSP supplemental" surgical insurance policy, in lieu of the original insurance policy. The transfer will not involve new underwriting and will not include a qualification period. The Bill also stipulates provisions concerning the list of surgeons with whom the insurance companies have a surgery arrangement, pursuant to which, inter alia, such list shall apply to all insurance plans marketed by the insurance company that contain surgical insurance, and at least half of the surgeons on the list will be surgeons that also appear on the lists of the HMOs AHSPs. The effective date of most of the provisions of the proposed amendment to the Supervision of Insurance Law (if approved), shall be December 15, 2023.
- Chapter 9 of the Economic Plan Bill (Brokerage in Insurance and Pensionary Savings) proposes, inter alia, to allow small banks to broker transactions in elementary insurance products, this with an eye to strengthening the competition in the insurance products' brokerage segment. It is also proposed to institute a series of legislation amendments that are designed to curb existing irregularities in the insurance products' brokerage segment, including the freezing, for an predetermined period (until December 31, 2024), the acquisition of insurance agencies by public institutions or by related institutions of the latter, thereby limiting public institutions' expansion of control over insurance agencies. Concurrently with the imposition of said restriction, in an ad hoc provision, in February 2023 the Government passed a resolution for the curbing of irregularities in the insurance and savings brokerage sector by establishing an interministerial committee that will examine public institutions' holdings in insurance agencies and submit its recommendations within ten months of the date of the resolution.





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

Following are principal balance sheet data (NIS thousands):

	<u>March 31,</u> <u>2023</u>	<u>March 31,</u> <u>2022</u>	<u>December 31,</u> <u>2022</u>
Other assets	521,613	437,682	534,724
Deferred acquisition expenses	196,462	181,899	184,697
Financial investments and cash	2,159,253	2,104,225	2,052,276
Reinsurance assets	733,007	757,165	711,756
<b>Total assets</b>	<b>3,610,335</b>	<b>3,480,971</b>	<b>3,483,453</b>
Equity	781,923	852,926	794,868
Liabilities in respect of insurance contracts	2,397,822	2,203,494	2,261,044
Other liabilities	430,590	424,551	427,541
<b>Total equity and liabilities</b>	<b>3,610,335</b>	<b>3,480,971</b>	<b>3,483,453</b>

Following are principal comprehensive income data (NIS thousands)

	<u>Jan-March</u> <u>2023</u>	<u>Jan-March</u> <u>2022</u>	<u>Jan-</u> <u>December</u> <u>2022</u>
Gross earned premiums	350,024	303,931	1,312,434
Premiums earned by reinsurers	(56,548)	(49,554)	(211,375)
<b>Premiums earned in retention</b>	<b>293,476</b>	<b>254,377</b>	<b>1,101,059</b>
Gains (losses) on investments, net and financing income	17,864	(28,033)	(77,993)
Income from commissions	13,731	13,197	54,767
<b>Total revenue</b>	<b>325,071</b>	<b>239,541</b>	<b>1,077,833</b>
Payments and change in liability for insurance contracts, in retention	(257,338)	(221,068)	(887,754)
Total other expenses	(87,572)	(79,151)	(337,625)
<b>Loss before taxes on income</b>	<b>(19,839)</b>	<b>(60,678)</b>	<b>(147,546)</b>
Tax benefit (taxes on income)	6,894	20,478	49,288
<b>Loss for the period and total comprehensive income (loss) for the period</b>	<b>(12,945)</b>	<b>(40,200)</b>	<b>(98,258)</b>

#### Capital and capital requirements

As at March 31, 2023, equity amounted to NIS 781.9 million, as compared to NIS 794.9 million as at December 31, 2022. The change in equity in the reported period is due to a comprehensive loss of NIS 12.9 million for the period.

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

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

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



Presented below are data concerning solvency ratio and MCR:

**Solvency ratio (NIS thousands):**

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equity for purposes of solvency capital requirement	880,968	979,666
Solvency capital requirement	669,625	766,992
<b>Surplus</b>	<b>211,343</b>	<b>212,674</b>
Economic solvency ratio (%)	132%	128%

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

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Minimum capital requirement (MCR)	233,895	208,716
Equity for purposes of MCR	880,968	979,666

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Equity for purposes of solvency capital requirement	880,968	979,665
Solvency capital requirement	746,947	907,544
<b>Surplus</b>	<b>134,021</b>	<b>72,121</b>
Economic solvency ratio (%)	118%	108%
<b>Surplus (deficiency) in relation to the Board of Directors' target</b>		
Board of Directors' economic solvency ratio target (%)	130%	130%
Deficiency in relation to target	<b>(90,063)</b>	<b>(200,142)</b>

The calculations performed by the Company as at December 31, 2022 were reviewed by the auditors of the Company, in accordance with ISAE 3400. For additional information on the solvency ratio, see the Company's economic solvency ratio report as at December 31, 2022 posted on the Company's website:

<https://www.aig.co.il/about/repayment-ratio>.

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



#### 4. Results of operations

The Company's total gross premiums amounted to NIS 433.1 million in the reported period, as compared to NIS 361.6 million in the corresponding period in 2022, an increase of 19.8%. The increase in gross premiums in the reported period stems mainly from the vehicle insurance sectors.

Total premiums in retention amounted to NIS 367.2 million in the reported period, as compared to NIS 282.2 million in the corresponding period in 2022, an increase of 30.1%. The increase in premiums in retention in the reported period stems mainly from the vehicle insurance sectors.

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

Jan-March 2023	Life insurance	Health insurance	General insurance	Total
Gross	39,972	43,144	349,989	433,105
In retention	31,135	42,262	293,768	367,165
% of total gross	9.2	10.0	80.8	100.0
% of retention	8.5	11.5	80.0	100.0

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

Jan-December 2022	Life insurance	Health insurance	General insurance	Total
Gross	156,125	174,710	1,049,506	1,380,341
In retention	124,215	171,560	864,275	1,160,050
% of total gross	11.3	12.7	76.0	100.0
% of retention	10.7	14.8	74.5	100.0

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

	Jan-March 2023	Jan-March 2022	Jan-Dec 2022
Loss from compulsory vehicle insurance	(9,893)	(863)	(151,282)
Income (loss) from vehicle property insurance	(18,697)	(50,100)	10,054
Income (loss) from home insurance	(2,181)	445	2,274
Income (loss) from health insurance	(5,409)	(3,132)	784
Income from life insurance	29	1,874	24
Income (loss) from commercial insurance	3,447	(989)	8,872
Other - Income (loss) not allocated to any segment	12,865	(7,913)	(18,272)
<b>Loss before taxes on income</b>	<b>(19,839)</b>	<b>(60,678)</b>	<b>(147,546)</b>
Income tax benefit	6,894	20,478	49,288
<b>Loss for the period and total comprehensive loss for the period</b>	<b>(12,945)</b>	<b>(40,200)</b>	<b>(98,258)</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 loss of the Company amounted to NIS 12.9 million in the reporting period, as compared to a comprehensive loss of NIS 40.2 million in the corresponding period in 2022. Pre-tax loss in the reporting period amounted to NIS 19.8 million, as compared to loss of NIS 60.7 million in the corresponding period in 2022. The Company's pre-tax loss in the reporting period was due mainly to an underwriting loss in the vehicle property sector.
- b. Net investment gains amounted to NIS 17.9 million in the reporting period, as compared to investment losses of NIS 28.0 million in the corresponding period in 2022. The gains derived mainly from price hikes on the financial markets, in Israel and globally, and in particular in the Israeli corporate bonds market. For additional information, see Section 2 above.
- c. The loss of the Company from vehicle property insurance in the reporting period was NIS 18.7 million, as compared to loss of NIS 50.1 million in the corresponding period in 2022. The underwriting loss of the Company from vehicle property insurance in the reporting period was NIS 20.3 million, as compared to loss of NIS 47.3 million in the corresponding period in 2022. The improvement in the underwriting results was due to a significant reduction in the claims' ratio, mainly as a result of ongoing actions taken by the Company, consisting primarily of the raising of tariffs, in order to regain profitability in the sector. The balance of the provision for premium deficiency totaled NIS 45 million as at the reporting date.
- d. The loss of the Company from compulsory vehicle insurance amounted to NIS 9.9 million in the reporting period, as compared to loss of NIS 0.9 million in the corresponding period in 2022. The results in the corresponding period in 2022 were materially affected by the rise in the interest curve, which had significantly reduced the insurance liabilities. Pooling losses amounted to NIS 5.5 million in the reporting period, as compared to NIS 3.7 million in the corresponding period last year.
- e. The loss of the Company from home insurance amounted to NIS 2.2 million in the reporting period, as compared to profit of NIS 0.4 million in the corresponding period in 2022. The transition to loss was due mainly to the higher claims' ratio. The underwriting loss of the Company from home insurance amounted to NIS 2.8 million in the reporting period, as compared to an underwriting profit of NIS 1.2 million in the corresponding period in 2022. The transition to underwriting loss was due to the increase in the claims' ratio and the expenses' ratio and to the rise in CAT insurance purchases in reinsurance.
- f. The loss of the Company from health insurance amounted to NIS 5.4 million in the reporting period, as compared to loss of NIS 3.1 million in the corresponding period in 2022. The underwriting loss from health insurance amounted to NIS 5.7 million in the reporting period, as compared to loss of NIS 2.1 million in the corresponding period in 2022. The increase in loss in the reporting period was due mainly to the significant rise in the claims' ratio in the personal accidents sector.
- g. The profit of the Company from life insurance in the reporting period was NIS 29 thousand, as compared to profit of NIS 1.9 million in the corresponding period in 2022. The decrease in profit was due to the increase in the claims' ratio.
- h. The profit of the Company from professional liability insurance in the reporting period was NIS 3.6 million, as compared to a loss of NIS 1.9 million in the corresponding period in 2022. The transition to profit was due to a decrease in the claims' ratio.
- i. The profit of the Company from other property insurance sectors in the reporting period was NIS 0.5 million, as compared to profit of NIS 0.4 million in the corresponding period in 2022.
- j. The loss of the Company from other liability insurance sectors amounted to NIS 0.6 million in the reporting period, as compared to profit of NIS 0.6 million in the corresponding period in 2022. The transition to loss was due to an increase in the claims' ratio. The results in the corresponding period in 2022 were affected by the increase in the interest curve, which reduced the insurance liabilities.



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

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

	Jan-March 2023	Jan- March 2022	Jan-Dec 2022
Vehicle property	(20,299)	(47,280)	(25,548)
Home	(2,842)	1,238	37,580
Other property sectors	198	568	1,723

**b. Principal data regarding the claims' ratio<sup>1</sup> (Loss Ratio "LR") and the claims' and expenses' ratio (Combined Ratio "CR"):**

	Jan-March 2023		Jan- March 2022		Jan-Dec 2022	
	LR%	CR%	LR%	CR%	LR%	CR%
<b><u>Vehicle property:</u></b>						
Gross	98%	115%	125%	145%	111%	132%
In retention	98%	115%	125%	145%	111%	132%
<b><u>Property<sup>2</sup>:</u></b>						
Gross	50%	80%	46%	75%	52%	81%
In retention *	71%	109%	62%	94%	59%	96%

**5. Cash flows and liquidity**

Net cash provided by operating activities in the reported period was NIS 80.0 million, compared to NIS 10.8 million provided by operating activities in the corresponding period in 2022.

Net cash used in investing activities in the reported period amounted to NIS 8.6 million, compared to NIS 2.3 million in the corresponding period in 2022.

Net cash used in financing activities in the reported period amounted to NIS 1.4 million, similarly to the corresponding period in 2022.

As a result of the above, the balance of cash and cash equivalents in the reported period increased by NIS 70.0 million and amounted to NIS 105.8 million as at March 31, 2023.

**6. Sources of funding**

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

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

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

<sup>1</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>2</sup> Home and other property sectors.



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

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

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

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

In the course of the quarter ending on March 31, 2023, 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 23, 2023



## **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, 2023 (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 23, 2023





### **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, 2023 (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 23, 2023



## **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, 2023, 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, 2023 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 23, 2023

**AIG Israel Insurance Company Ltd.**

**Condensed Interim Financial Statements  
(Unaudited)  
As at March 31, 2023**

**Condensed Interim Financial Statements as at March 31, 2023 (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, 2023 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 directives prescribed by the Commissioner of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981, as described in Note 2. 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 the directives prescribed by the Commissioner of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981, as described in Note 2 to the financial information.

### **Emphasis of a matter**

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

Somekh Chaikin  
Certified Public Accountants (Isr.)

May 23, 2023

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

	<b>March 31, 2023</b>	<b>March 31, 2022</b>	<b>December 31, 2022</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	27,211	25,312	26,625
Deferred acquisition costs	196,462	181,899	184,697
Property and equipment	24,758	26,961	23,580
Reinsurance assets	733,007	757,165	711,756
Premiums collectible	285,948	219,093	239,085
Current tax assets	72,461	85,917	139,712
Deferred tax assets, net	30,213		26,942
Other receivables	81,022	80,399	78,780
	<b>1,451,082</b>	<b>1,376,746</b>	<b>1,431,177</b>
<b>Financial investments</b>			
Marketable debt instruments	1,845,024	1,848,944	1,817,997
Non-marketable debt instruments	93,457	78,783	93,244
Other	114,960	107,823	105,314
Total financial investments	<b>2,053,441</b>	<b>2,035,550</b>	<b>2,016,555</b>
Cash and cash equivalents	<b>105,812</b>	<b>68,675</b>	<b>35,721</b>
<b>Total assets</b>	<b>3,610,335</b>	<b>3,480,971</b>	<b>3,483,453</b>

**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 23, 2023

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

	<b>March 31, 2023</b>	<b>March 31, 2022</b>	<b>December 31, 2022</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	<b>6</b>	6	6
Share premium	<b>250,601</b>	250,601	250,601
Other reserves	<b>15,708</b>	15,708	15,708
Retained earning	<b>515,608</b>	586,611	528,553
<b>Total equity attributable to equity holders of the Company</b>	<b>781,923</b>	852,926	794,868
<b>Liabilities</b>			
Liabilities in respect of insurance contracts that are not yield dependent	<b>2,397,822</b>	2,203,494	2,261,044
Liabilities in respect of deferred taxes, net	<b>-</b>	3,176	-
Retirement benefit obligation, net	<b>3,659</b>	4,961	3,659
Liabilities to reinsurers	<b>308,044</b>	297,778	279,493
Other payables	<b>118,887</b>	118,636	144,389
<b>Total liabilities</b>	<b>2,828,412</b>	2,628,045	2,688,585
<b>Total equity and liabilities</b>	<b>3,610,335</b>	3,480,971	3,483,453

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



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

	<b>Three-month period ended March 31</b>		<b>Year ended December 31,</b>
	<b>2023</b>	<b>2022</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>NIS thousands</b>	<b>NIS thousands</b>	<b>NIS thousands</b>
Gross earned premiums	<b>350,024</b>	303,931	1,312,434
Premiums earned by reinsurers	<b>(56,548)</b>	(49,554)	(211,375)
Premiums earned in retention	<b>293,476</b>	254,377	1,101,059
Gains (losses) on investments, net and financing income	<b>17,864</b>	(28,033)	(77,993)
Commission income	<b>13,731</b>	13,197	54,767
<b>Total income</b>	<b>325,071</b>	239,541	1,077,833
Payments and change in liabilities with respect to insurance contracts, gross	<b>(285,369)</b>	(240,261)	(932,241)
Share of reinsurers in increase of insurance liability and payments for insurance contracts	<b>28,031</b>	19,193	44,487
Payments and change in liabilities with respect to insurance contracts, in retention	<b>(257,338)</b>	(221,068)	(887,754)
Commissions, marketing expenses and other acquisition costs	<b>(65,832)</b>	(60,245)	(263,759)
General and administrative expenses	<b>(22,981)</b>	(21,474)	(85,615)
Financing income, net	<b>1,241</b>	2,568	11,749
<b>Total expenses</b>	<b>(344,910)</b>	(300,219)	(1,225,379)
<b>Loss before taxes on income</b>	<b>(19,839)</b>	(60,678)	(147,546)
Income tax benefit	<b>6,894</b>	20,478	49,288
<b>Loss for the period and total comprehensive loss for the period</b>	<b>(12,945)</b>	(40,200)	(98,258)
<b>Basic earnings per share:</b>			
Basic loss per share	<b>(2.26)</b>	(7.02)	(17.15)
Number of shares used in calculating basic earnings per share	<b>5,730</b>	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, 2023</b>					
<b>Balance as at January 1, 2023</b> (audited)	6	250,601	15,708	528,553	794,868
Total comprehensive loss for the period				(12,945)	(12,945)
<b>Balance as at March 31, 2023</b> (unaudited)	6	250,601	15,708	515,608	781,923
<b>Three-month period ended March 31, 2022</b>					
<b>Balance as at January 1, 2022</b> (audited)	6	250,601	15,708	626,811	893,126
Total comprehensive loss for the period				(40,200)	(40,200)
<b>Balance as at March 31, 2022</b> (unaudited)	6	250,601	15,708	586,611	852,926
<b>Year ended December 31, 2022</b>					
<b>Balance as at January 1, 2022</b> (audited)	6	250,601	15,708	626,811	893,126
Total comprehensive loss for the year				(98,258)	(98,258)
<b>Balance as at December 31, 2022</b> (unaudited)	6	250,601	15,708	528,553	794,868

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>2023</b>	<b>2022</b>	<b>2022</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 operations:</b>			
Net cash provided by (used in) operations (Appendix A)	<b>(4,011)</b>	1,225	5,445
Interest paid	<b>(54)</b>	(82)	(287)
Interest received	<b>13,241</b>	12,197	43,890
Income taxes paid	<b>(1,477)</b>	(12,232)	(60,676)
Income taxes received	<b>72,344</b>	9,730	9,728
Net cash provided by (used in) operating activities	<b>80,043</b>	10,838	(1,900)
<b>Cash flows from investing activities:</b>			
Investment in property and equipment	<b>(3,694)</b>	(401)	(4,084)
Investment in intangible assets	<b>(4,902)</b>	(1,933)	(15,016)
Net cash used in investing activities	<b>(8,596)</b>	(2,334)	(19,100)
<b>Cash flows from financing activities:</b>			
Repayment of principal of lease liabilities	<b>(1,393)</b>	(1,365)	(5,503)
Net cash used in financing activities	<b>(1,393)</b>	(1,365)	(5,503)
Impact of exchange rate fluctuations on cash and cash equivalent balances	<b>37</b>	(46)	642
<b>Increase (decrease) in cash and cash Equivalents</b>	<b>70,091</b>	7,093	(25,861)
<b>Cash and cash equivalents at beginning of period</b>	<b>35,721</b>	61,582	61,582
<b>Cash and cash equivalents at end of period</b>	<b>105,812</b>	68,675	35,721

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

**Condensed Interim Statements of Cash Flows**

	Three-month period ended March 31		Year ended December 31,
	2023	2022	2022
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
<b>Appendix A - cash flows from operations:</b>			
Loss for the period	(12,945)	(40,200)	(98,258)
Adjustments for -			
<b>Income and expenses not involving cash flows:</b>			
Change in liabilities for insurance contracts that are not yield dependent	136,778	52,081	109,631
Change in reinsurance assets	(21,251)	10,444	55,853
Change in deferred acquisition costs	(11,765)	(9,372)	(12,170)
(Tax benefit)	(6,894)	(20,478)	(49,288)
Change in retirement benefit obligations, net	-	(300)	(1,602)
Depreciation of property and equipment	2,516	2,390	9,454
Amortization of intangible assets	4,316	3,815	15,585
Losses (gains), net, on financial investments:			
Marketable debt instruments	4,598	39,112	116,838
Non-marketable debt instruments	(408)	3,238	(12,292)
Marketable exchange traded notes	(9,646)	547	3,056
Impact of fluctuation in exchange rate on cash and cash equivalents	(37)	46	(642)
	<u>98,207</u>	<u>81,523</u>	<u>234,423</u>
<b>Changes in assets and liabilities:</b>			
Liabilities to reinsurers	28,551	(7,812)	(26,097)
Investments in financial assets, net	(31,430)	16,056	(29,652)
Premiums collectible	(46,863)	(23,344)	(43,336)
Other receivables	(2,242)	3,849	5,468
Other payables	(24,109)	(16,740)	13,151
Current tax assets (current tax liabilities), net	7	8	(6,651)
	<u>(76,086)</u>	<u>(27,983)</u>	<u>(87,117)</u>
<b>Adjustments for interest and dividend:</b>			
Interest paid	54	82	287
Interest received	(13,241)	(12,197)	(43,890)
	<u>(13,187)</u>	<u>(12,115)</u>	<u>(43,603)</u>
<b>Net cash provided by (used in) operations</b>	<u>(4,011)</u>	<u>1,225</u>	<u>5,445</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 affiliated companies. The Company has no foreign operations through branches or investee companies.

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

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

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

#### B. Definitions:

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

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

In the reporting period, the Bank of Israel interest rate was raised several times, reaching 4.25% as of the reporting date, while the GDP grew by 6.5% in 2022, the rate of inflation for the past twelve months reached 5.4% and the unemployment rate in the working-age population (25-64) reached 3.7% in December 2022.<sup>[2]</sup>

The Company invests a significant portion of its investment portfolio in the capital market; therefore, the capital market yields in the various channels have a material effect on the profit of the Company.

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<sup>[2]</sup>According to the resolution of the Bank of Israel's Monetary Committee from February 20, 2023.

## Notes to the Condensed Interim Financial Statements

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### Note 2 - Basis of Preparation of Financial Statements

#### A. Financial reporting framework

Until December 31, 2022, the financial statements of the Company were prepared in accordance with IFRSs.

As described below, the condensed interim financial statements as at March 31, 2023 and for the 3-month period ended on that date (hereinafter: "the interim financial information") has been prepared in accordance with the directives prescribed by the Commissioner of the Capital Market, Insurance and Savings in conformity with the Supervision of Financial Services (Insurance) Law, 1981 (hereinafter: "the Supervision Law") and do not include all of the information required for full annual financial statements. The interim financial information should be read in conjunction with the annual financial statements as at December 31, 2022 and for the year ended on that date (hereinafter – "the annual financial statements of the Company").

Further to the stated in Note 2(w)(1) to the annual financial statements, concerning the Draft Roadmap for the Adoption of International Financial Reporting Standard No. 17 - Insurance Contracts, published by the Capital Market, Insurance and Savings Authority in December 2022 (hereinafter: "the Roadmap"), on April 20, 2023 the Capital Market, Insurance and Savings Authority published the "Roadmap for the Adoption of International Financial Reporting Standard No. 17 - Insurance Contracts - Third Update - Draft" (hereinafter: "the Current Draft Roadmap").

According to the Current Draft Roadmap, the date of initial implementation of IFRS 17 and IFRS 9 by the insurance companies in Israel (which pursuant to IFRSs would have been required to be implemented by the Company on January 1, 2023) has been updated and shall apply starting in the quarterly and annual periods commencing on January 1, 2025. Hence, the transition date will be January 1, 2024. The Current Draft Roadmap determines that, at this stage, early adoption of IFRS 17 in Israel will not be permitted.

Accordingly, commencing on January 1, 2023 to the initial implementation date of IFRS 17 and IFRS 9 by the insurance companies in Israel, as aforesaid, the Company will continue to implement the provisions of International Accounting Standard No. 4, "Insurance Contracts", and International Accounting Standard No. 39, "Financial Instruments: Recognition and Measurement" that have been applied by the Company up till now and which were superseded by IFRS 17 and IFRS 9, respectively. The remaining IFRSs are implemented by the Company on the dates stipulated therein.

Consequently, commencing on January 1, 2023, the financial statements of the Company are not fully compliant with IFRSs, but rather are prepared in accordance with the directives prescribed by the Commissioner of the Capital Market, Insurance and Savings in conformity with the Supervision Law.

The interim financial information was approved for publication by the Board of Directors of the Company on May 23, 2023.

#### B. Use of estimates and judgments

The preparation of condensed interim financial statements in accordance with the directives prescribed by the Commissioner of the Capital Market, Insurance and Savings in conformity with the Supervision of Financial Services (Insurance) Law, 1981, requires management of the Company to make judgments, estimates and assumptions that affect the application of the accounting policy 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 of the Company for 2022.

**Notes to the Condensed Interim Financial Statements**

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**Note 3 - Significant Accounting Policies**

Except as stated below, the significant accounting policies and the computational methods applied in the preparation of the interim financial information are consistent with the policies and methods applied in the preparation of the annual financial statements of the Company for 2022.

**New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority:****International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: “the Standard” or “IFRS 17”) and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: “IFRS 9”)**

Until December 31, 2022, the financial statements of the Company were prepared in accordance with IFRSs.

As stated in Note 2(a) above, according to the Current Draft Roadmap, the date of initial implementation of IFRS 17 and IFRS 9 by the insurance companies in Israel (which pursuant to IFRSs would have been required to be implemented by the Company on January 1, 2023) has been updated and shall apply starting in the quarterly and annual periods commencing on January 1, 2025. Hence, the transition date will be January 1, 2024. The Current Draft Roadmap determines that, at this stage, early adoption of IFRS 17 in Israel will not be permitted.

Accordingly, commencing on January 1, 2023 to the initial implementation date of IFRS 17 and IFRS 9 by the insurance companies in Israel, as aforesaid, the Company will continue to implement the provisions of International Accounting Standard No. 4, “Insurance Contracts”, and International Accounting Standard No. 39, “Financial Instruments: Recognition and Measurement” that have been applied by the Company up till now and which were superseded by IFRS 17 and IFRS 9, respectively. The remaining IFRSs are implemented by the Company on the dates stipulated therein.

Consequently, commencing on January 1, 2023, the financial statements of the Company are not fully compliant with IFRSs, but rather are prepared in accordance with the directives prescribed by the Commissioner of the Capital Market, Insurance and Savings in conformity with the Supervision Law.

In addition to the aforesaid, the Current Draft Roadmap specifies the public disclosure that must be provided regarding the effects of the adoption of IFRS 17 and IFRS 9 in the interim and the annual financial statements for 2024. Furthermore, the Current Draft Roadmap specifies the preparations and the principal updated timetables that the Capital Market Insurance and Savings Authority believes to be necessary for ensuring that the Insurance companies in Israel are prepared for the high-quality implementation of the Standard, inter alia, as regarding the adaptation of the IT system, finalizing the accounting policy and preparing for the various requisite reports, the performance of quantitative impact studies of the implementation of IFRS 17 and IFRS 9, preparation for the calculation of the risk adjustment for non-financial risk, and preparation for the audit by the independent auditors.

The Company continuously studies the implications of the adoption of the aforementioned standards on its financial statements and is preparing for their implementation within the timetables stated above.

## Notes to the Condensed Interim Financial Statements

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### 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.

- **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, 2023 (unaudited)				Total
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	
	NIS thousands				
Gross earned premiums	40,029	42,475	267,520		350,024
Premiums earned by Reinsurers	(8,838)	(882)	(46,828)		(56,548)
<b>Premiums earned in retention</b>	<b>31,191</b>	<b>41,593</b>	<b>220,692</b>		<b>293,476</b>
Gains on investments, net	17	335	5,176	12,336	17,864
Commission income	2,238	155	11,338		13,731
<b>Total income</b>	<b>33,446</b>	<b>42,083</b>	<b>237,206</b>	<b>12,336</b>	<b>325,071</b>
Payments and change in liabilities with respect to insurance contracts (gross)	(20,374)	(32,108)	(232,887)		(285,369)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	2,236	977	24,818		28,031
Payments and change in liabilities with respect to insurance contracts, in retention	(18,138)	(31,131)	(208,069)		(257,338)
Commissions and other acquisition costs	(10,586)	(10,971)	(44,275)		(65,832)
General and administrative expenses	(4,693)	(5,390)	(12,898)		(22,981)
Financing income, net	-	-	712	529	1,241
<b>Total comprehensive (loss) before taxes on income</b>	<b>29</b>	<b>(5,409)</b>	<b>(27,324)</b>	<b>12,865</b>	<b>(19,839)</b>
Liabilities for insurance contracts, gross, as of March 31, 2023	87,322	108,430	2,202,070		2,397,822

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

## Notes to the Condensed Interim Financial Statements

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

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

	Year ended December 31, 2022 (audited)				Total
	Life Insurance	Health Insurance *	General insurance	Not attributed to operating segments	
	NIS thousands				
Gross earned premiums	157,173	173,216	982,045		1,312,434
Premiums earned by reinsurers	(31,909)	(3,150)	(176,316)		(211,375)
<b>Premiums earned in retention</b>	125,264	170,066	805,729		1,101,059
Gains (losses) on investments, net, and financing income	17	(3,066)	(47,311)	(27,633)	(77,993)
Commission income	8,672	485	45,610		54,767
<b>Total income</b>	133,953	167,485	804,028	(27,633)	1,077,833
Payments and change in liabilities with respect to insurance contracts (gross)	(88,211)	(105,670)	(738,360)		(932,241)
Share of reinsurers in increase of insurance liabilities and payments for insurance Contracts	21,187	2,126	21,174		44,487
Payments and change in liabilities with respect to insurance contracts, in Retention	(67,024)	(103,544)	(717,186)		(887,754)
Commissions and other acquisition costs	(40,650)	(43,718)	(179,391)		(263,759)
General and administrative expenses	(17,407)	(20,199)	(48,009)		(85,615)
Financing income, net	-	-	2,388	9,361	11,749
<b>Total comprehensive income (loss) before taxes on income</b>	8,872	24	(138,170)	(18,272)	(147,546)
Liabilities for insurance contracts, gross, as of December 31, 2022	80,842	101,754	2,078,448		2,261,044

\* 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, 2023 (unaudited)					
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors**	Other liability sectors*
	NIS thousands					
Gross premiums	69,962	182,658	44,398	26,697	14,593	11,681
Reinsurance premiums	(961)	-	(5,859)	(24,475)	(14,562)	(10,364)
Premiums in retention	69,001	182,658	38,539	2,222	31	1,317
Change in balance of unearned premiums, in retention	(12,849)	(51,863)	(7,559)	(366)	1	(440)
<b>Premiums earned in retention</b>	<b>56,152</b>	<b>130,795</b>	<b>30,980</b>	<b>1,856</b>	<b>32</b>	<b>877</b>
Gains on investments, net	2,545	1,210	348	593	52	428
Commission income	-	-	291	7,326	2,194	1,527
<b>Total income</b>	<b>58,697</b>	<b>132,005</b>	<b>31,619</b>	<b>9,775</b>	<b>2,278</b>	<b>2,832</b>
Increase in insurance liabilities and payments with respect to insurance contracts	(59,069)	(127,616)	(23,432)	(11,676)	(777)	(10,317)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	1,423	-	1,270	12,494	1,023	8,608
Increase in insurance liabilities and payments with respect to insurance contracts, in retention	(57,646)	(127,616)	(22,162)	818	246	(1,709)
Commissions, marketing expenses and other acquisition costs	(7,800)	(18,213)	(8,190)	(6,584)	(1,901)	(1,587)
General and administrative expenses	(3,144)	(5,265)	(3,761)	(434)	(173)	(121)
Financing income, net	-	392	313	4	-	3
<b>Total expenses</b>	<b>(68,590)</b>	<b>(150,702)</b>	<b>(33,800)</b>	<b>(6,196)</b>	<b>(1,828)</b>	<b>(3,414)</b>
<b>Total comprehensive income (loss) before taxes on income</b>	<b>(9,893)</b>	<b>(18,697)</b>	<b>(2,181)</b>	<b>3,579</b>	<b>450</b>	<b>(582)</b>
Liabilities with respect to insurance contracts, gross, as at March 31, 2023	944,843	488,166	133,793	311,763	101,495	222,010
Liabilities with respect to insurance contracts, in retention, as at March 31, 2023	798,791	488,166	128,438	35,084	2,228	36,334

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

(\*\*) Other liability sectors reflect mainly the results of the product liability insurance sector, which accounts for 38% of the total premiums attributable to these sectors.

## Notes to the Condensed Interim Financial Statements

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

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

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

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

## Notes to the Condensed Interim Financial Statements

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

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

	Year ended December 31, 2022 (audited)						Total
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors**	Other liability sectors*	
				NIS thousands			
Gross premiums	230,827	497,661	145,743	103,598	42,742	28,935	1,049,506
Reinsurance premiums	(3,129)	-	(18,763)	(95,159)	(42,648)	(25,532)	(185,231)
Premiums in retention	227,698	497,661	126,980	8,439	94	3,403	864,275
Change in balance of unearned premiums, in retention	(12,010)	(41,363)	(5,056)	158	2	(277)	(58,546)
<b>Premiums earned in retention</b>	<b>215,688</b>	<b>456,298</b>	<b>121,924</b>	<b>8,597</b>	<b>96</b>	<b>3,126</b>	<b>805,729</b>
Losses on investments, net and financing income	(25,053)	(8,184)	(3,155)	(5,980)	(533)	(4,406)	(47,311)
Commission income	-	-	1,041	30,608	8,060	5,901	45,610
<b>Total income</b>	<b>190,635</b>	<b>448,114</b>	<b>119,810</b>	<b>33,225</b>	<b>7,623</b>	<b>4,621</b>	<b>804,028</b>
Payments and change in insurance liabilities with respect to insurance contracts, gross	(124,195)	(505,981)	(72,268)	(23,304)	(19,891)	7,279	(738,360)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	(12,812)	-	2,308	19,065	18,255	(5,642)	21,174
Payments and changes in liabilities with respect to insurance contracts, in retention	(137,007)	(505,981)	(69,960)	(4,239)	(1,636)	1,637	(717,186)
Commissions, marketing expenses and other acquisition costs	(31,780)	(74,972)	(34,895)	(26,534)	(5,456)	(5,754)	(179,391)
General and administrative expenses	(11,794)	(19,713)	(13,778)	(1,620)	(650)	(454)	(48,009)
Financing income	-	1,270	1,097	16	-	5	2,388
<b>Total expenses</b>	<b>(180,581)</b>	<b>(599,396)</b>	<b>(117,536)</b>	<b>(32,377)</b>	<b>(7,742)</b>	<b>(4,566)</b>	<b>(942,198)</b>
<b>Total comprehensive income (loss) before taxes on income</b>	<b>10,054</b>	<b>(151,282)</b>	<b>2,274</b>	<b>848</b>	<b>(119)</b>	<b>55</b>	<b>(138,170)</b>
Liabilities with respect to insurance contracts, gross, as at December 31, 2022	916,184	428,059	119,656	301,527	101,945	211,077	2,078,448
Liabilities with respect to insurance contracts, in retention, as at December 31, 2022	770,291	428,059	114,397	36,529	2,634	34,755	1,386,665

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

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

## Notes to the Condensed Interim Financial Statements

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

## 4.1 Additional information relating to life insurance segment:

## Three-month period ended March 31, 2023 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	39,972
Payments and change in liabilities with respect to insurance contracts, gross	20,374

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

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

## Year ended December 31, 2022 (audited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	156,125
Payments and change in liabilities with respect to insurance contracts, gross	88,211

## 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, 2023 (unaudited):

	Long-term NIS thousands	Short-term NIS thousands	Total NIS thousands
Gross premiums	32,467	10,677	* 43,144
Payments and change in liabilities with respect to insurance contracts, gross	24,013	8,095	32,108

\* Consists primarily of policies issued to individuals.

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

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

\* Consists primarily of policies issued to individuals.

##### Year ended December 31, 2022 (audited):

	Long-term NIS thousands	Short-term NIS thousands	Total NIS thousands
Gross premiums	127,256	47,454	* 174,710
Payments and change in liabilities with respect to insurance contracts, gross	80,542	25,128	105,670

\* Consists primarily of policies issued to individuals.

### Note 5 - Shareholders' Equity and Capital Requirements

#### A. Capital management and requirements

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

#### B. Solvency II-based economic solvency regime

1. 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.
2. 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. On May 23, 2023, the Company published the economic solvency ratio report for the December 31, 2022 data on its website. According to the Solvency report, the Company has surplus capital also independent of the transitional provisions. See disclosure in Section 3 of the Directors' Report (Solvency II-Based Economic Solvency Regime in Insurance Companies).

The calculation performed by the Company for the December 31, 2022 data has been reviewed by the independent auditors of the Company in accordance with ISAE 3400 – The Examination of Prospective Financial Information. This standard applies to the review of the Solvency calculations and is not part of the auditing standards that apply to financial statements.

It is hereby stressed that the forecasts and the assumptions, which served as a basis for the drawing up of the economic solvency ratio report, are substantially based on past experience, as reflected in actuarial studies that are performed from time to time. In view of the capital market, insurance and savings reforms and the changes in the economic environment, past data are not necessarily indicative of future results.

## Notes to the Condensed Interim Financial Statements

### Note 6 - Financial Instruments and Financial Risks

#### A. Fair value hierarchy:

The various levels of fair value are determined as follows:

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

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

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

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

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

#### C. Composition of financial investments:

March 31, 2023 (unaudited)			
	Measured at fair value through profit or loss	Loans and receivables	Total
	NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments (1)	1,845,024	-	1,845,024
Non-marketable debt instruments (2)	-	93,457	93,457
Other (3)	114,960	-	114,960
Total	1,959,984	93,457	2,053,441

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

## Notes to the Condensed Interim Financial Statements

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

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

	December 31, 2022 (audited)		
	Measured at fair value through profit or loss	Loans and Receivables	Total
	NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments (1)	1,817,997	-	1,817,997
Non-marketable debt instruments (2)	-	93,244	93,244
Other (3)	105,314	-	105,314
Total	1,923,311	93,244	2,016,555

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

	March 31, 2023 (Unaudited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	624,740	643,569
<u>Other debt assets:</u>		
other non-convertible debt assets	1,220,284	1,274,024
Total marketable debt assets	1,845,024	1,917,593

1.

	March 31, 2022 (Unaudited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	578,711	570,304
<u>Other debt assets:</u>		
other non-convertible debt assets	1,270,233	1,254,878
Total marketable debt assets	1,848,944	1,825,182

	December 31, 2022 (Audited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	559,822	565,277
<u>Other debt assets:</u>		
other non-convertible debt assets	1,258,175	1,309,394
Total marketable debt assets	1,817,997	1,874,671

## 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:

March 31, 2023 (Unaudited)	
Carrying amount	Fair value
NIS thousands	NIS thousands
Bank deposits	616
Presented at amortized cost, excluding bank deposits	92,784
Total non-marketable debt assets	93,400

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

December 31, 2022 (Audited)	
Carrying amount	Fair value
NIS thousands	NIS thousands
Bank deposits	770
Presented at amortized cost, excluding bank deposits	92,462
Total non-marketable debt assets	93,232

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

March 31, 2023 (Unaudited)	
Carrying amount	Cost
NIS thousands	NIS thousands
Marketable financial investments	95,837

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

## Notes to the Condensed Interim Financial Statements

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

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

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

	December 31, 2022	
	(Audited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	105,314	95,837

### 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

- On June 9, 2016, a motion for certification of a class action was filed against the Company, claiming 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.

## 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)

##### 1. (contd.)

On February 12, 2018, a first pretrial hearing was held in the case. On July 15, 2018, the court ruled on the stay of proceedings pending a ruling on an appeal that was filed with the High Court of Justice regarding a ruling by the National Court in another case (HCJ 5148/18, Or Shacham et al. - National Labor Court and Castro Model Ltd., hereafter: "Castro HCJ"), on the issue of overtime.

On November 25, 2020, a hearing of Castro HCJ was held. On July 11, 2022, a ruling was issued in Castro HCJ, pursuant to which it is permissible to certify a class action for the payment of overtime on commissions or incentives. The ruling further determined that the matter of the existence of a substantial right would be deliberated within the framework of the class action. This ruling overturns the ruling of the National Labor Court in the same matter, in practice ratifying the ruling of the Regional Labor Court that partially certified the class action. The two other components claimed in the class action (selection of a day off and/or delay in the payment of wages) were not included in Castro HCJ.

On March 7, 2023, the petitioners submitted an update notice to the court, stating that, in view of the ruling in the Castro matter, the proceedings in the case should have been renewed. Nevertheless, the petitioners requested to maintain the stay of proceedings, in anticipation of a ruling in another proceeding that is pending in the National Labor Court against I.D.I Insurance Company (hereinafter: "the IDI Matter"). The Company's response was that the IDI Matter differs materially from that of the Company (in light of the collective relations at the Company) and that, therefore, the Company maintains all of its arguments in the matter and is not bound by rulings that will be given in the IDI Matter. The Company left the decision concerning the stay of proceedings to the court.

On March 13, 2023, by virtue of a court decision, the proceeding was transferred to a different panel at the District Labor Court. On April 23, 2023, the court ordered to reinstate the stay of proceedings in the case.

In the assessment 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.

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

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

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

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

## 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. (contd.)

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

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

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

On March 10, 2022, the respondents submitted their response to the petitioners' notice.

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

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

On April 25, 2022, an appeal was filed with the Supreme Court regarding the Central District Court's ruling in the Litvinov Matter. A Supreme Court hearing has been scheduled for October 10, 2023. The Court has scheduled a reminder in the case for November 1, 2023, by which date an appropriate update notice is to be submitted by the petitioners.

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.

## 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)

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

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

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

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

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

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

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

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

On September 7, 2022, a pretrial hearing was held, in which dates have been set for the submission of summations by the parties.

On September 14, 2022, the respondents submitted their answers to the questionnaire that they had been requested to fill out.

The petitioner submitted his summations on November 15, 2022; the respondent submitted its summations on March 29, 2023; the petitioner is to submit response summations by May 27, 2023.

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



## Notes to the Condensed Interim Financial Statements

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

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

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

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

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

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

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

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

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which the petitioners in this claim and in claim 6 below will be deliberated the claim jointly against all of the defendants that they have named and that were also named in CA 17072-04-20 Manirav et. Al. vs. Harel (hereinafter: "the Manirav Matter") concerning vehicle insurance policies.

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

## 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. (contd.)

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

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

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

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

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

On December 1, 2022, the petitioners submitted their response to the Respondents' response to the petition to certify the class action.

A pretrial hearing in all cases was held on January 3, 2023. In the hearing, it was ruled that the parties will refer to mediation and will update the Court on the status of their discussions by February 12, 2023.

It was also ruled that the matter of Manirav will be deliberated and conducted separately from the proceeding.

On February 12, 2023, the respondents submitted an update notice, pursuant to which they believe that there is no room for mediation in this case and that the court should issue a ruling on the certification motion based on the materials that are available in the case.

On April 23, 2023, the parties submitted a joint motion for the validation as a ruling of a procedural arrangement, pursuant to which they relinquish the examination of the declarants and the experts in the case.

Two hearings have been scheduled for supplemental oral arguments, on January 9, 2024 and January 10, 2024.

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

5. On April 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 were unable to use their vehicles as a result of the coronavirus crisis.

## 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. (contd.)

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

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

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

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

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which proceeding 4 above and this proceeding will be deliberated jointly against all of the defendants that they have named and that were also named in the Manirav Matter in relation to vehicle insurance policies.

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

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

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

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

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

## 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. (contd.)

On December 1, 2022, the petitioners submitted their response to the Respondents' response to the petition to certify the class action.

A pretrial hearing in all cases was held on January 3, 2023. In the hearing, it was ruled that the parties will refer to mediation and will update the Court on the status of their discussions by February 12, 2023.

It was also ruled that the matter of Manirav will be deliberated and conducted separately from the proceeding.

On February 12, 2023, the respondents submitted an update notice, pursuant to which they believe that there is no room for mediation in this case.

On April 23, 2023, the parties submitted a joint motion for the validation as a ruling of a procedural arrangement, pursuant to which they relinquish the examination of the declarants and the experts in the case.

Two hearings have been scheduled for supplemental oral arguments, on January 9, 2024 and January 10, 2024.

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

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

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

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

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

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

**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)****6. (contd.)**

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

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

After several motions to extend, on March 8, 2022 the parties submitted an update notification, pursuant to which they are holding discussions in an attempt to conclude the proceeding outside the court.

On May 12, 2022, the petitioner submitted a list of requests. On June 23, 2022, the respondent submitted a response to the list of requests.

On January 5, 2023, a pretrial hearing was held in the case, in which it was ruled that the respondent will submit its response to the discovery motion and to the questionnaires submitted by the petitioner, by January 15, 2023.

On January 13, 2023, the respondent submitted a notice and a motion, informing the Court that it has delivered to the petitioner a list of all of the documents and questionnaires that it has consented to furnish. However, according to the respondent, at the conclusion of the discussions between the parties, there are still disagreements between the parties concerning the discovery of documents and the completion of the questionnaires, which will be addressed at a later date.

On February 20, 2023 and March 13, 2023, the petitioner submitted notices concerning the preliminary proceedings and the continuation of the proceeding.

On March 30, 2023, the petitioner submitted an update notice, requesting the court to schedule an evidentiary hearing in the case and approve the submission of documents that had been received as part of disclosure. On April 20, 2023, the respondent submitted its response, expressing its consent to the submission of the documents.

On May 8, 2023, the petitioner attached the documents that had been received as part of disclosure.

An evidentiary hearing in the proceeding has been scheduled for January 8, 2024.

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

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

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

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

The parties have agreed to perform a sample in order to assess the potential scope of the class. Within this framework, an external auditor was appointed to audit the data that would be presented by the Company in the sample.

On May 9, 2023, the parties received the draft report of the external auditor.

In the opinion of management of the Company, which is based on the opinion of its legal counsel, should the court review the findings of the external auditor and adopt his opinion, the motion is more likely to be rejected than accepted.

8. On January 16, 2018, a class action has been filed against the Company and other insurance companies, alleging that the insurers refrain from paying their policyholders and/or third parties the VAT component that applies to the cost of the damages where the claimed damages have not been repaired in practice. The plaintiff estimates the compensation due to members of the class for each year in respect of the Company at NIS 5,744,484. Following the evidentiary hearings and the submission of summations by the parties, a ruling was issued that rejects the motion to certify a class action and requires the petitioner to pay the expenses.

On April 11, 2022, a civil appeal was filed regarding the District Court's ruling. The appeal argues that the court was wrong to determine that the existence of a phenomenon of non-payment of VAT has not been proven; that the court was wrong in not giving weight to the respondents', including the Company, failure to respond with regard to vehicle insurance; that the court was wrong to determine that it is difficult to deliberate the arguments in a class action proceeding; that the court was wrong to determine that the appellant is not suitable as a named plaintiff; and that the court was wrong with regard to the period of limitations, where, according to the appellant, the relevant period is from the date of issue of the Supreme Court's ruling in Civil Appeal 17229/99 Zlucin vs. Diur La'Ole Ltd., issued on June 4, 2001, which determined that, even if no repairs were performed, the respondent (the injurer in that matter) is required to bear the VAT payment.

According to the court's ruling, the case is scheduled to be heard at the Supreme Court on September 27, 2023.

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

## 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. On November 30, 2022, a motion to certify a class action was filed against the Company, alleging wrongful collection by the Company in overseas travel insurance policies.

The motion alleges that in instances where the policyholder purchases an overseas travel insurance policy and cuts short his stay overseas or cancels his trip, the Company does not reimburse to the policyholder the full amount of insurance premiums to which he is entitled for the expansions that he had purchased and that the Company retroactively raises the insurance premiums without notifying the policyholder and obtaining his consent.

The petitioner claims an amount of NIS 970; and the overall damages attributed to the Company are in excess of NIS 2.5 million.

On April 13, 2023, the Company submitted its response to the certification motion.

An evidentiary hearing in the case has been scheduled for June 20, 2023.

At this early stage, the chances of the motion and the claim cannot be estimated.

10. On January 12, 2023, a motion to certify a class action was filed against the Company concerning personal accidents insurance.

The motion alleges that the Company does not compensate its policyholder for days of hospitalization at a rehabilitation facility (in the case of the petitioner - Loewenstein Hospital), since a rehabilitation facility is excluded in the insurance policy from the definition of "hospital" and therefore does not create entitlement to compensation. The motion further alleges that the definition of "hospital", as presented in the policy, does not coincide with the increased disclosure requirement that applies to insurers, pursuant to which the Company is obligated to provide greater clarity and disclosure in formulating the insurance contract.

The personal damage of the petitioner against the respondent is NIS 800 per day of hospitalization over a duration of 100 days, totaling a nominal NIS 80,000. The cumulative class damage is estimated NIS 2.5 million, but cannot be accurately assessed at the certification motion stage.

The respondent is required to submit its response to the certification motion by June 5, 2023.

A pretrial hearing in the case has been scheduled for September 11, 2023.

At this early stage, the chances of the motion and the claim cannot be estimated.

11. On January 16, 2023, a motion to certify a class action was filed against the Company, alleging the violation by the Company of the provisions of Section 30A of the Telecommunications Law (Bezeq and Broadcasting), 1982 by sending prohibited advertising without obtaining the explicit consent of the recipients.

The petitioner claims an amount of NIS 350; and the overall damages attributed to the Company are at least NIS 3.5 million.

On May 17, 2023, a consensual motion to withdraw was filed, requesting the court to approve the petitioner's withdrawal of the motion to certify the claim as a class action and to order the rejection of the personal claim of the petitioner against the Company.

## 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. (contd.)

A pretrial hearing in the case has been scheduled for June 25, 2023.

At this early stage, the chances of the motion and the claim 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	6	112,198
Amount of claim not specified	5	-
Total	11	112,198



## Notes to the Condensed Interim Financial Statements

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

#### B. Claims resolved during the reported period:

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. 4 above and in claim no. 6 below filed a motion for the change of venue in accordance with the provisions of Section 7(A) of the Class Actions Law, 2006. On June 3, 2020, the respondents submitted their response to the motion. On June 4, 2020, the court accepted the motion for the change of venue, transferring the case to the Tel Aviv Court, where this petition is now deliberated.

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

On July 26, 2020, the respondents in claim no. 4 above and in claim no. 6 below submitted their response to the petitioners' motions.

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. 4 above and in claim no. 6 below submitted their response to the responses to the motion.

On October 12, 2020, the court ruled on the respondents' motion to clarify, determining that, on the date of the scheduled hearing, the petition will be discussed in accordance with Section 7(B) of the Class Actions Law, 2006. The court also determined that responses to the certification petition are to be submitted by all the respondents within 90 days of a ruling on the petition in accordance with Section 7(B). On January 11, 2021, in view of the increase in morbidity and the guidelines of the Courts Administration to avoid hearings with multiple participants, the court cancelled the hearing scheduled for January 21, 2021 and determined that a ruling will be issued in accordance with Section 7 of the Law - without a hearing.

## Notes to the Condensed Interim Financial Statements

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### NOTE 7 - CONTINGENT LIABILITIES (Continued):

#### B. Claims resolved during the reported period (continued):

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

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

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

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

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

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

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

On December 1, 2022, the petitioners submitted their response to the Respondents' response to the petition to certify the class action.

A pretrial hearing in all cases was held on January 3, 2023. In the hearing it was determined that the Company and respondent 10 will be removed from the statement of claim.

On February 27, 2023, a ruling was issued, approving the petitioners' motion to withdraw, without adjudication of compensation and fees and without ordering the location of an alternative plaintiff.