# AIG Israel Insurance Company Ltd

## Financial Report for Year Ended 2023

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<u>**Chapter A: Description of the Company's Business**</u>
**For the year ended December 31, 2023**

**AIG Israel Insurance Company Ltd**
**Private Company No. 51-230488-2**
**("The Company)**

March 19, 2024

**Description of corporate business for the year ended December 31, 2023**

This report constitutes a description of the Company's business as of December 31, 2023 and reviews the Company and the development of its business as occurred in 2023 ("**the reported period**"). The information in this report as updated as of December 31, 2023 ("**the report date**"), unless otherwise is explicitly indicated.

The Company is an insurer as this term is defined in the Supervision of Financial Services Law (Insurance), 1981 ("**the Supervision Law**"). Therefore, this report is prepared according to the guidance issued by the Commissioner of the Capital Market, Insurance and Savings Authority ("**the Commissioner**" and “**the Authority**”, respectively).

**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 as 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", “expected”, 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.

The financial information included in this report is reported amounts. All information in this report is in thousands 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. The description in this report on insurance products and coverage types is for the purpose of this report only and may not serve for the interpretation of the products and coverage, and the full and binding terms in the insurance programs.

Please read all parts of this periodic report as one unit.

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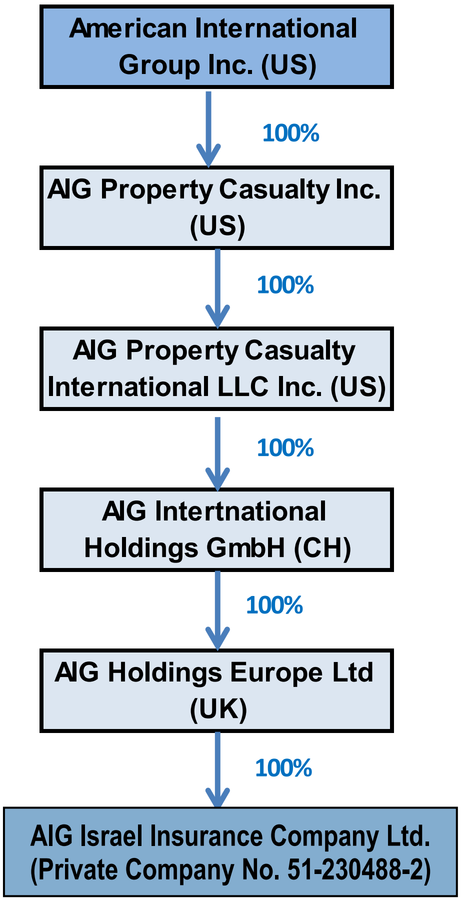
## 1. Part A: the activity of the Company and the development of its business

### 1.1 The activity of the Company and the development of its business

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. ("**the global AIG corporation**" or "**AIG**"). The global AIG corporation is a leading global insurance and finance services corporation, rated BBB+ as of report date by the rating firm, S&P Global Ratings ("**S&P**").

The sole shareholder of the Company is AIG Europe Holdings Limited, which holds the entire issued and paid-up share capital of the Company and is a member of the global AIG corporation.
The following is the 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, health insurance (personal injury, serious illness and overseas travel coverage), commercial insurance (property loss, business comprehensive insurance, engineering insurance, employers' liability insurance, third-party liability insurance and product liability insurance), cargo in transit insurance, other risk insurance (limited to crime and fraud damages), comprehensive life insurance, and foreign business insurance for different insurance types.

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

The Company is marketing and selling retail insurance policies directly to customers (without insurance agents) through call centers and online. Customers and 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

Most activity of the Company is to retail customers. The main activities of the Company and their general characteristics are as follows:

### 1.2.1 General insurance - vehicle property

General

The Company began its activity in this segment in 1997. Vehicle property insurance is also known as comprehensive vehicle insurance or "third-party insurance" and is voluntary. Vehicle property insurance is included in the general insurance business and is focused on property damage to vehicles of the customer and those caused to a third-party property.

The format of a vehicle property insurance policy is subject to the standard policy terms in the Insurance Business Supervision Directives (Terms of Private Vehicle Insurance Contract), 1986 ("**the standard policy**").

The standard policy include coverage against loss or damage caused to the insured vehicle as a result of the following risks: fire, thunderbolt, explosion, accidental collision, capsizing, accident of any type, theft and any damage caused by theft, while theft or attempted theft was occurring; flood; storm; snow; volcano eruption; deliberate damage; and liability coverage to third party due to property damages.

The language of the standard policy is mandatory, and it is only possible to extend its coverage in terms of scope, risks, and covered property and persons.

Vehicle property insurance is divided into two main categories:

a. Insurance to private vehicles of up to 3.5 ton – Vehicles in this category are insured under the standard policy.
b. Insurance to vehicles of more than 3.5 tons – the policy for vehicles in this category is not subject to the terms in the standard policy.

Differential rates

Insurance rates are actuarially calculated and differential (variable and risk-adjusted), subject to approval by the Commissioner. The rate is determined based on a number of factors, including: vehicle model, engine size, production year, number of drivers, age and gender, years of driving experience, claim history, etc.

Reserves

The computation of general insurance reserves is based on the Supervision of Financial Services Regulations (Insurance) (Computation of General Insurance Reserves), 2013 ("**the Computation of General Insurance Reserves Regulations**"), the provisions of which have been assimilated in the "Measurement of Liabilities" part of the consolidated circular published by the Authority, which incorporates various circulars that apply to public institutions and institutional investors, as updated from time to time ("**the Consolidated Circular**"). This part is updated by the Commissioner from time to time and includes, among others, guidelines for measurement of liabilities in life, general and health insurance. It also includes, among others, provisions regarding insurance reserves, best practice for calculation of general insurance reserves for financial reporting purposes, aggregation of segments, determining the amounts of reserves in respect of policies sold close to balance sheet date and in respect of risks arising subsequent to balance sheet date.

### 1.2.2 **General insurance - compulsory vehicle sector**

General

The Company began its activity in this segment in 1997. Compulsory vehicle insurance, also known in Israel as compulsory insurance is mandatory. The Motor Vehicle Insurance Ordinance [New Version], 1970 ("**the Motor Vehicle Ordinance**") obligate a vehicle user or anyone who permits another person to use a vehicle to purchase compulsory insurance for bodily injuries only that may be inflicted to the driver and/or passengers and/or pedestrians hit by the insured vehicle. The Motor Vehicle Ordinance states, among other things, that no person can use, or cause or allow another person to use a motor vehicle unless an insurance policy in effect exists in the name of his name or the other person's name.

The format of a compulsory vehicle policy is subject to the terms of the standard policy that are present in the Financial Services Supervision Directives (Insurance) (Terms of Motor Vehicle Compulsory Insurance Contract), 2010 ("**compulsory vehicle standard policy**").

The compulsory vehicle standard policy covers, under the Motor Vehicle Ordinance, the owner of the vehicle and driver for liabilities they may face under the Compensation to Victims of Road Accidents Law, 1975 (CVRAL). CVRAL states that the user/driver of a motor vehicle must compensate a victim for a bodily harm caused to him/her in an accident in which the vehicle is involved and also sets a liability that is absolute, independent of guilt.

Differential rates – information and supervision

A database of compulsory vehicle insurance rates is maintained for information and is authorized by law to collect information about that segment. Under the Motor Vehicle Insurance Regulations (Creation and Management of Databases), 2004, insurance companies are legally obligated to transfer to the database information about drivers of insured vehicles, as defined by the Commissioner, as well as premium rates, payments and pending claims in scale and dates specified in those regulations.

The Commissioner gave a franchise to a service provider to manage that database, to issue reports that will be used, among other things, to assess the risks in the compulsory vehicle insurance sector and determine the cost of pure risk that underlies the rate. The reports of the franchise holder serve as basis for the rate that is then used by the Commissioner as reference to test compulsory insurance rates (“**the Risk Rate**”).

The Commissioner sets the principles for determining compulsory vehicle insurance rates and regulates them through circulars that he issues from time to time. Those circulars specify the factors that an insurance company can use for determining premiums, the procedures that insurers need to comply with to approve premiums, maximum rates per customer and the process for approval by the Commissioner.

The factors for differential rate determination include, among other things engine size; sex, age of the youngest driver expected to drive the vehicle; years of driving experience of the youngest driver who is expected to drive the vehicle; number of past bodily damage claims and/or number of license suspensions in the previous three years of all drivers who are expected to use the vehicle; airbags installed; and the according systems installed: ESP, ABS, FCW and LDW.

Insurance companies may determine the premium using the risk premium and risk classification criteria set by the information and regulation rate database to align premiums to the covered risk.

Residual insurance ("**the Pool**")

The Israeli Vehicle Insurance Pool is an entity that insures the risks of vehicles that are rejected by compulsory vehicle insurers (residual insurance). This arrangement is provided by Motor Vehicle Insurance Regulations (Residual Insurance Arrangements and Mechanism for Setting Rate), 2001 ("**the Pool Regulations**"). The Pool operates as an ordinary insurance company and its rates are competitive relative to other insurers in the market. All insurance companies active in compulsory vehicle insurance are partners in the Pool, and each bears losses and gains from its income proportionally to its share in the compulsory vehicle insurance market. The share of the Company in residual insurance was 3.82% in 2022 (final rate), and is 3.87% in 2023 (interim rate) and 4.25% in 2024 (interim rate).

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 Pool, this in order to adjust the net insurance premiums in the Pool to the insured risk, 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. 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. The aforesaid amendment will apply to compulsory vehicle insurance policies that come into effect on July 1, 2023 and thereafter.

AIG

The Road Accident Victims Compensation Fund ("**Karnit**")

Karnit is a corporation created under the CVRAL and is tasked with compensating victims who are eligible to compensation under that law and may not claim compensation from an insurer due to the following cases: the hitting driver is unknown, the hitting driver has no valid and paid compulsory vehicle insurance certificate, or the insurance does not cover the liability, the insurer of the vehicle is in liquidation or the insurer was appointed a special manager. Under the provisions of Compensation of Road Accident Victims Order (Financing of the Fund), 2002, insurance companies are required to transfer to Karnit 1% of net compulsory vehicle insurance premiums from policies they underwrite since that date.

In addition, according to the Road Accident Victim Compensation Order (Funding the Cost of Rendering Services), 2021, an insurer needs to give Karnit 12.66% of premium for each of the policies issued pursuant to the Motor Vehicles Ordinance.

Arrangements for distributing the compensation burden among insurance companies

According to CVRAL, in a multiple-vehicle accident, each driver will be liable to bodily damages caused to passengers of the vehicle which was insured through that driver.

**Arrangement with respect to victims within a vehicle –** in the event of a road accident involving multiple vehicles, each insurer shall be responsible for the personal injury damages of the passengers who are insured with it.

**Arrangement for a victim outside a vehicle** – in case of a victim is located outside a vehicle in a multiple-vehicle accident, the drivers are liable to that person together and separately and are required to divide that burden in equal parts among them.

**Car-Motorcycle arrangement** – In a road accident that involves one or more motorcycles and one or more non-motorcycle vehicles, the non-motorcycle insurers to the insurers of the motorcycle 75% of bodily injury compensation that the insurers of the motorcycle are liable to pay due to the accident, except for compensation to victims outside the vehicle. The insurers of the non-motorcycle vehicle are liable together and separately towards the insurer of the motorcycle and are required to divide the liability burden among them in equal parts.

**Light-heavy vehicle arrangement** – According to the Road Accident Victims Compensation Order (Arrangements for Dividing the Compensation Burden Among Insurers), 2001, in the event of a road accident involving one or more heavy trucks (over 4 tons) and one or light vehicles, the insurers of the heavy must pay the insurers of the light vehicle 50% of bodily injury compensation as those defined in the CVRAL, while the insurers of the light vehicle are required to pay their liability for the accident, except a payment under the car-motorcycle arrangement or compensation payment to victims outside a vehicle. The insurers of the heavy vehicle are liable together and separately towards the insurers of the light vehicle and among themselves and are required to bear this liability in equal parts.

**Arrangement for victims without insurance coverage** – in the event of an accident involving a vehicle without compulsory insurance coverage, where it has been proven that the driver of the insured vehicle was negligent, the insurer may be required to compensate the passengers of the uninsured vehicle.

Subrogation claims of the National Insurance Institute of Israel

Pursuant to the National Insurance Law [Consolidated Version], 1995 (hereinafter: "**the National Insurance Law**"), in the event that the National Insurance Institute has paid an annuity to an individual who is also entitled to compensation from a wrongdoer under the Torts Ordinance [New Version], 1968 ("**the Torts Ordinance**") or under the Victims of Road Accidents Law, the National Insurance Institute may claim from the wrongdoer compensation for the annuity that it had paid or that is payable by it. Additionally, the provisions of the National Insurance Law require an insurance company to report to the National Insurance Institute any claim in which it has deducted or was entitled to deduct National Insurance payments of any kind, whether under a compromise agreement or a ruling, that the National Insurance Institute is entitled to demand of it. In accordance with the conclusions of the Kaminitz Committee (an interministerial committee established to review the discount interest rate for personal injury), published in June 2019, and the Supreme Court's ruling, the discount interest rate applicable to subrogation claims of the National Insurance Institute of Israel is 3%.

The Economic Efficiency Law (Legislation Amendments for Obtaining the Budgetary Targets for 2019), 2018 ("**the Economic Efficiency Law for 2019**") determines that the regulations will include a mechanism for the global settlement of accounts between the National Insurance Institute and the insurance companies.

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

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

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

Further to the aforesaid amendment to the law, the Commissioner updated the rate of fees in the compulsory vehicle insurance sector in order to maintain the fees' component that was in place prior to the aforesaid amendment taking effect, and also updated the net insurance premiums in the Pool, to the effect that the net insurance premiums that existed in the Pool shortly before the aforesaid amendment took effect would be reduced by 10%, to maintain the current status.

The interest curve

The Company operates in an economic environment that is affected, inter alia, by the change in the risk-free interest rate curve. The increase in the interest curve during the reporting period has increased the insurance liabilities in those general insurance segments in which the liabilities are calculated in accordance with the Commissioner's position as to the best practice. The interest curve in the reporting period decreased the insurance liabilities in the compulsory vehicle insurance segment by NIS 9.6 million (including the Pool), as compared to NIS 75.3 million in 2022.

### 1.2.3 General insurance – home insurance

General

The Company began its activity in this sector in 1997. Comprehensive home insurance, also known as home insurance, is a key insurance product of the individual insurance business and is part of the general insurance.

The language of the home insurance policy is subject to the standard policy in Insurance Business Supervision Regulations (Terms of Insurance Contract for Homes and Their Contents), 1986 ("**the home insurance regulations**" and "**the home insurance standard policy**", respectively). The home insurance standard policy includes coverage against loss or other damages that may result from factors such as fire, lightning, extraordinary occurrence of smoke, explosion, wind in excess of 30 knots, including rain, snow or hail that fell at that time; aircraft crash, object falling from an aircraft and supersonic boom from an aircraft, contact or crash of a vehicle into the apartment, certain malicious actions, theft, robbery and break-in or attempt to commit them, illegal gathering and rioting, earthquake and flooding from an external source.

The standard policy is a minimum policy. Its language is binding, and it is only possible to add more coverage in terms of coverage amount, risks and the assets and liabilities covered. Rates of the standard home insurance policy are regulated and approved by the Commissioner.

### 1.2.4 General insurance – commercial insurance

General

The Company commenced its operations in this sector in 2000. The commercial insurance segment of the Company includes the following segments: professional liability insurance, officers' and directors' insurance, cyber insurance, property loss and comprehensive insurance for businesses, third-party liability insurance, product liability insurance, employers' liability insurance and engineering insurance.

The Company manages this insurance business in three main categories:

a) Professional liability insurance

Professional liability insurance policies are designed to provide coverage to businesses and various professionals for claims filed against them for damages caused to a third party as a result of professional error or negligence. The coverage of directors or officers is for their personal liability in respect of an act or omission that they committed during their term of office. Additionally, coverage is provided for employee embezzlement damages and cyber insurance that covers damages of cyber events as defined in the policy.

In professional liability insurance, for the most part, the insurance period is one year, but the duration of claims is longer on average than property insurance. The main reasons for this are: the complexity of the factual and legal clarification, the period between the date on which the liability and the damage was formed and the date of filing the claim, and longer periods of prescription compared to the property insurance. Therefore, professional liability insurance is regarded as long tail claims.

This has two main implications:

- The impact of investment profits in respect of reserve funds and outstanding claims.
- The impact of legal precedents and court rulings on the Company's exposure in every claim and claim.

In professional liability insurance and directors & officers' liability, coverage is based on the date of filing of the claim. In other words, the coverage is given to claims that were filed during the insurance period even if the cause originated prior to the beginning of the insurance period but after the retroactive period stipulated in the policy.

b) Liabilities insurance

Liabilities insurance covers the legal liability of the customer for damage that may be caused to any third party. The main liability types marketed by the Company are: third-party liability insurance, product liability insurance, and employers' insurance.

For the most part, the period of the insurance is one year, but the time for processing the claim is on average longer than property insurance. The main determining factors are: the complexity of factual and legal procedures, the timeframe for the liability and damage and filing the claim, longer statute of limitations relative to property insurance. Therefore, liability insurance is considered to have a longer claim trail.

This has two main consequences:

- The effect of investment profits in respect of reserve funds and outstanding claims.
- The impact of legal precedents and court rulings on the Company's exposure in every claim and claim.

In some liability insurance products, such as third-party and employers' liability, coverage is event-based. That is, coverage is given to events that occurred during the insurance period and the claim can be filed after the end of the insurance period, subject to the statute of limitations in the law.

According to the Insurance Contract Law, 1981 ("**the Insurance Contract Law**"), the statute of limitations on insurance compensation is three years after the occurrence of the insured event and in the life insurance sector, the illness and hospitalization insurance sector, and the long-term care insurance sector the statute of limitations is five years after the occurrence of the insured event (except for a disability claim caused by the insured as a result of illness or accident, the insured has the right to claim insurance benefits according to the policy). However, in liability insurance, claiming for compensation is not subject to statute of limitations as long as a third-party claim against the insurer is not subject to statute of limitations. The Insurance Contract Law requires insurers to disclose to the policyholder or to the beneficiary of the policyholder in any notification on the matter, clearly and conspicuously, the statute of limitations and the fact that the counting of the remaining days therein is not suspended when a claim is filed with the insurer.

c) Property loss and engineering insurance

Property loss insurance, commercial property insurance and loss of profits and engineering insurance is intended to provide customers coverage against physical damage to property. The main insurance products marketed by the Company are: property and loss of earnings insurance, contractors' insurance and mechanical failure insurance.

The main risks covered in those policies are fire, explosion, break-in, earthquake and other natural calamities. The policy covers damages directly caused to property as well as indirect damages (loss of income, etc.) For the most part, the term of those policies is one year, and claims are processed close to the time of the insurance event, and for that, such policies are considered to have a short claim tail.

For the purpose of increasing its share in the aforementioned commercial insurance sectors, the Company builds on the expertise and financial strength of the global AIG corporation, which is a global leader in this field. The Company also constantly seeks to offer suitable coverage to its customer and to develop new customized products.

### 1.2.5 **Health insurance**

General

The Company began its activity in the healthcare segment in 1998. Healthcare insurance in the Company includes the following sub-segments: personal injury insurance, serious illness insurance and travel insurance.

Health insurance policies are subject, among other things, to the provisions of the Insurance Contract Law, the Supervision Law and the regulations thereunder, including the Supervision of Insurance Businesses Regulations (Terms in Insurance Contracts) (Provisions About Preexisting Medical Conditions), 2004, and the Financial Services Supervision Directives (Insurance) (Collective Health Insurance), 2009, as well as the directives and guidance issued by the Commissioner from time to time.

The Company manages segment in three main categories:

a) Personal injury insurance

Personal injury insurance policies provide a predetermined monetary compensation to the policyholder in case of accident events under predefined coverages, such as: hospitalization, disability and death resulting from an accident. Contrary to policies in disease and hospitalization policies, which provide coverage for illness, personal injury insurance covers only the results of an accident.

b) Severe illness insurance

A policy that covers the diagnosis of severe illness as defined by the policy. Insurance benefits are paid as a lump sum in case of diagnosing a severe illness or a medical event, without the customer having to prove any expense.

c) Overseas travel insurance

A product providing insurance coverage for various expenses to people traveling overseas, for a number of risk types, such as: hospitalization and non-hospitalization medical expenses, medical flights, luggage and third-party liability. The basic product may be supplemented by purchasing expansions, such as: cancellation or curtailment of a trip due to reasons listed in the policy, property loss and/or threat, extreme and winter sports, laptop coverage, etc. It is also possible to buy coverage for special situations such as: aggravation of preexisting medical condition and coverage for pregnant women. The policy is sold online and by sales reps.

Health insurance for covering medical expenses is managed by the Company jointly with the life insurance segment, as explained below.

### 1.2.6 **Life insurance – risk only**

General

The Company began its activity in the life insurance segment in 1999. The Company provides policies to individual customers who are interested in life insurance, including to private customers who are interested in such product, including private lenders who take housing loans.

Life insurance

Life insurance policy promises a payment of a lump sum to beneficiaries in case of death of the customer. Usually in such policies, the policy expires when the customer dies or when he/she reaches a certain age. Extensions offered to such policies are total permanent disability, accident disability, accident death and critical illness insurance.

Mortgage-related life insurance

A life insurance policy provides the mortgage bank a reimbursement of outstanding loan in the event of death of the customer (the mortgage customer). Those policies can be extended to include permanent total disability.

Health insurance for covering medical expenses

There are two principal types of health insurance policies that cover medical expenses: "AHSP Complementary Insurance" and "First Shekel".

"AHSP Complementary Insurance" policies complement or extend the coverage and services provided under complementary health coverage of health funds (Additional Healthcare Services Plan - AHSP), to complete the coverage that is missing due to legislation, regulations, plan terms and health fund instructions. The policies include, among other things, insurance coverage for medical expenses that are caused to the customer as a result of requiring surgery, non-government sponsored medicine, transplants and ambulatory services and/or cover a surgeon who is not included in the arrangement with the health fund of which the policy holder is a member, and also provide indemnification for the deductible collected from the policy holder.

"First Shekel" policies provide all coverages and services for medical expenses that were caused to the insurance customer as a result of surgery, drug that are not covered by the government (the "basket"), organ transplants and ambulatory services, regardless of complementary health insurance provided by health funds. An individual who holds both such insurance policy and a health fund's additional healthcare services plan (AHSP) is entitled to request indemnification for medical treatment from the insurer, even if he is entitled to claim indemnification within the framework of his subscription to a health fund's AHSP, however he may only claim indemnification from either the insurer or the health fund.

In June 2023, the Economic Plan Law (Legislation Amendments for the Implementation of the Economic Policy for Budget Years 2023 and 2024), 2023 ("**the Economic Plan Law**") was published in the Official Gazette, which, in Chapter 16, prescribes an amendment to the Supervision of Financial Services (Insurance) Law, 1981 ("**the Supervision of Insurance Law**"), that introduces provisions to the Supervision of Insurance Law in relation to similar insurance coverage, both under private insurance policies and under a health fund's AHSP (Additional Healthcare Services Plan), with regard to a private surgical procedure in Israel.

The amendment is designed to regulate the double insurance that arises where an individual holds a "First Shekel" private health insurance policy and is also subscribed to a health fund's AHSP, since, in case of an insurance event, the individual may only file a claim with either the AHSP or the private health insurance policy, but not with both. It should be noted that double insurance does not arise where the individual subscribed to an AHSP also holds an "AHSP Complementary" insurance policy.

For additional information on the aforesaid amendments and their effect on the Company, see section 4.1 below. Some of the aforesaid amendments came into effect in October 2023 and others take effect in June 2024.

1.3 **Investments in capital and share transactions**

In 2022 and 2023, no material investments in the Company's equity and material transactions in its shares took place.

1.4 **Dividend distribution**

In accordance with the Company's capital management policy, which also includes its dividend payout policy, the Company has to comply with a solvency ratio of 130% under a regimen based on Solvency II, and subject to certain conditions, the Company will pay dividend above that threshold.

For additional information on the Authority's directives regarding restrictions on dividend distributions and dividends distributed by the Company, see Note 12 to the financial statements.

## 2. Part B – Description and information on operating segments of the Company

### 2.1 Operating segment A – Vehicle property insurance

#### 2.1.1 Products and services

The Company sells a range of standard insurance products, including: comprehensive insurance (including against theft or accident), comprehensive insurance without theft coverage, comprehensive insurance without accident coverage and third-party insurance. On top of those standard policies, customers can buy more coverage and/or related services such as towing services, replacement car, window breakage, lights and mirrors, repair of bumpers and VIP services.

In addition, the Company markets the plan, AIG Just Drive, offering a special pay-per-distance package for young drivers. This app-based plan addresses the needs of customers with young drivers, who frequently drive the parents' cars.

For more information about the general characteristics of this segment, see 1.2.1 above.

#### 2.1.2 Competition

According to the Authority's publications, 14 insurance companies are active in this segment, and the market is highly competitive. According to the financial statements for the first nine months of 2023, the main competition in this segment, by premium turnover are, The Phoenix Insurance Company Ltd ("**The Phoenix**") (15.2%), IDI Insurance Company Ltd. ("**Direct Insurance**") (12.4%), Harel Insurance Company Ltd. ("**Harel**") (11.3%), and Clal Insurance Company Ltd. ("**Clal**") (9.2%). The market share of the Company in this segment in total premiums during that period is 5.6%.

The approach taken by the Company to address the fierce competition in this segment is using advanced pricing and actuary methods, marketing campaigns, advertising (see section 4.8(h) below), operating excellence, service excellence, automation and digitization.

In June 2023, the Commissioner published the insurance company service index for 2023 ("**the service index**"). The service index enables clients to compare between different insurance products and it is designed to increase the competition in the insurance market since it reflects the level of service provided by insurance companies by principal insurance products. For each insurance product a service index is calculated, which his based on five components: (1) payment of claims – the percentage of claims approved and paid and how quickly these claims were handled; (2) Handling clients' queries – clients' satisfaction of insurers' handling their queries; (3) Public complaints – weighting of complains which were lodged and assessed by the Capital Market Division; (4) Phone response time – ratio of calls that got responded within 3 minutes; (5) digital tools.

Data published show that the Company is ranked first in the handling of vehicle property insurance claims index component, this for ten consecutive years. The Company believes that the continued publication of the service index will increase competition in the vehicle property sector; the Company estimates that the service index may help maintain the positioning of the Company as the lead player in this insurance sector.

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

2.1.3 **Customers**

a. The Company sells the product mainly to individual private customers through direct marketing.

b. The following is the distribution of premiums (gross) in this segment (in thousands of NIS):

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Direct marketing | 623,072 | 453,683 | 385,488 |
| Through insurance agents | 70,558 | 43,978 | 35,733 |
| **Total** | **693,630** | **497,661** | **421,221** |

c. The Company is not dependent on any single customer.

d. No customer contributes 10% or more of total revenue of the Company

e. Renewals rate in 2023 in terms of premiums for policies that were in effect in the previous year is 88.8%.

f. The rate of customers who are also insured in compulsory vehicle insurance in 2023 is 95.5%.

g. The following information shows customers in vehicle property insurance in terms of premium in 2023 in percentage terms by years of first engagement:

| **First year of the first policy with the Company:** | **%** |
|---|---|
| 2023 | 39% |
| 2022 | 19% |
| 2021 | 13% |
| Until 2019 | 28% |
| **Total** | **100%** |

## 2.2 **Operating segment B – Vehicle compulsory insurance**

### 2.2.1 **Products and services**

This segment has only one product – standard compulsory insurance policy. The insurance coverage under the policy includes any liability that might arise under CVRAL, other liability (non-CVRAL) that the customer may be liable for bodily damage to another person by or due to using the insured vehicle and bodily damage caused to the insured in a road accident.

As indicated above, under CVRAL, this is "total liability" coverage. Accordingly, road accident victims are entitled to compensation from the insurer of the vehicle, without a requirement to prove guilt of any of the persons involved. However, the CVRAL presents a number of limits and exceptions that revoke the right for compensation (e.g. a person who caused an accident intentionally), and limits the amounts of compensation, such that non-monetary damage compensation is limited to a fixed amount specified in CVRAL and compensation for lost income and disability income that are limited at three times the average salary in the Israeli economy.

For more information about the general characteristics of this segment, see 1.2.2 above.

2.2.2 **Competition**

Most insurance companies in Israel are active in the compulsory vehicle insurance market, which results in fierce competition. More competition comes from Direct Insurance and the direct marketing arms of other insurance companies, and digital ventures. The competition is mainly reflected in lowering insurance rates to customers.

The main competitors in this sector on the basis of premiums are: The Phoenix, Harel, Clal, Direct Insurance, Shlomo Insurance Company Ltd. and Menorah Mivtachim Insurance Ltd. ("**Menorah**"). According to the data of the financial statements for the first nine months of 2023, the total share of these companies in the total gross premiums in the segment is 61.2% The share of the Company out of the total premiums in this sector was about 4.4%.

Since the insurance coverage offered by all insurance companies is identical, and since it is possible to compare the insurance rates charged by insurance companies on the website of the Commissioner, customers are very sensitive to change in insurance premiums. The approach taken by the Company to address this fierce competition in this segment is using advanced pricing and actuary methods, operating restructuring and ongoing improvement of customer service.

Data published by the Authority in June 2023 show that the Company is ranked third in the handling of compulsory vehicle insurance claims index component. The Company estimates that the continued annual publication of the service index will increase competition in the compulsory vehicle insurance sector and continue to maintain the positioning of the Company as a leader in the provision of insurance services to its customers in this segment.

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

2.2.3 **Customers**

a. The Company sells the product mainly to individual private customers through direct marketing.
b. The distribution of premium in this segment is as follows (in thousands of NIS):

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Direct marketing | 251,407 | 227,589 | 207,385 |
| Through insurance agents | 10,941 | 3,238 | 2,489 |
| **Total** | **262,348** | **230,827** | **209,874** |

c. The Company is not dependent on any single customer.
d. No single customer represents 10% or more from company revenue.
e. Renewals rate in 2023 in terms of premiums for policies that were in effect in the previous year is 84.9%.
f. The rate of customers who are also insured in vehicle property insurance in 2023 is 96.4%.

g. The following information shows customers in compulsory vehicle insurance in terms of premium in 2023 in percent by years of first engagement:

| First year of the first policy with the Company: | % |
|---|---|
| 2023 | 35% |
| 2022 | 18% |
| 2021 | 14% |
| Through 2019 | 33% |
| **Total** | **100%** |

## 2.3 Operating segment C - Home insurance

### 2.3.1 Products and services

Home insurance is designed to give customers coverage for damage or loss caused to the home and/or its contents. This type of insurance includes extensions such as third-party liability, liability to home workers and cyber extension. As part of a home insurance it is possible to buy additional coverage and/or services such as piping and water damages, sealing and emergency services for water damage, coverage of all risks for valuables, etc.

Home insurance policies are sold to property owners who are interested to insure their home and/or contents. When the insurance is bought for mortgage purposes, the insurance covers the structure only or structure and contents, and the mortgage bank is registered as a nonrecourse beneficiary.

For more information on the general characteristics of this segment, see 1.2.3 above.

### 2.3.2 Competition

According to information released, 14 insurance companies are active in this segment, resulting in fierce competition. According to data in the financial statements for the first nine months of 2023, the main competitors in this segment, by premium turnover are Harel (16.3%), The Phoenix (13.7%), Direct Insurance (12.4%), Clal (11.4%), and Migdal Insurance Company Ltd. ("**Migdal**") (10.7%). The share of the Company in the total premium turnover in the reported period is 7.4%.

Since the insurance coverage offered by all insurance companies is similar, and since the calculator on the Commissioner's website can be used to examine the insurance rates charged by insurance companies on the website of the Commissioner, customers are very sensitive to the issue of insurance premiums. The approach taken by the Company to address this competition in this segment is using advanced pricing and actuary methods, marketing campaigns, operating restructuring and ongoing improvement of customer service.

Service-Index data published by the Authority in June 2023 show that the Company is ranked first in the handling of home insurance claims, and first in the prompt payment of claims index component in home insurance. The Company believes that smart use by the insurance public population in the home insurance calculator and the continued publication of the service index annually will increase competition in the home insurance sector. The Company estimates that the service index positions the Company as a lead player in this insurance segment.

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

### 2.3.3 **Customers**

a. The Company sells its products in this segment mainly to private customers through direct marketing.
b. The Company is not dependent on any single customer.
c. No customer accounts for 10% or more of the total income of the Company.
d. Renewals rate in 2023 in terms of premiums for policies that were in effect in the previous year is 96.9%.
e. The following information shows customers in home insurance in terms of premium in 2023 in percent by years of first engagement:

| First year of the first policy with the Company | % |
|---|---|
| 2023 | 17% |
| 2022 | 14% |
| 2021 | 11% |
| Until 2019 | 58% |
| **Total** | **100%** |

2.4 **Operating segment D - Commercial insurance**

2.4.1 **Products and services**

a. Professional Liability Insurance

Coverage for the liability of businesses and various professionals in respect of claims filed against them for damages caused to a third party as a result of professional error or negligence. This branch also includes directors & officers' insurance, which covers the liability of the officer under the Companies Law, 1999 and other provisions of law (in Israel and abroad), as well as cyber insurance, which covers liability in respect of cyber events as defined in the policy.

b. Liability insurance

Those types of insurance contracts cover the liability of the insurance customer to damages caused to a third party. Those insurance contracts are divided into a number of segments, and the main ones are:

- Third-party liability insurance – Coverage against bodily injury or property damage caused to a third party, excluding vehicle coverage and employers' insurance. The liability covered by this insurance is for the most part pursuant to the Torts Ordinance.

- Product liability insurance – Insurance coverage against injury or damage resulting from a defect in a product that was manufactured, marketed, assembled or maintained by the customer. Such policy is pursuant to two main pieces of legislation: (1) Warranty for Defected Products Law, 1980 which imposes liability on the manufacturer (as defined by the law) and apples to bodily injury only; (2) the Torts Ordinance, which makes a manufacturer liable to bodily injuries and property damages.

- Employers' liability insurance – Covers employees from bodily injury claims (accident or illness) caused to an employee during work due to negligence of the employer. Usually, the policy covers the liability of the employer under the Torts Ordinance in any amount not covered by the Israel National Insurance Institute.

c. Property insurance, contractors, mechanical failure and electronic equipment

- Property insurance – coverage to customers in case of damage to property as a result of fire or lightning. Customers can buy additional coverage such as break-in, natural disasters, earthquake, explosion and insurance for loss income as a result of the insurance event.

- Contractors insurance – Coverage against unexpected damage to the insured assets during the construction of projects and buildings. The customer buys under the policy coverage for liability to third parties and employees as part of performing the construction works.

- Mechanical breakage – Coverage of damages caused by breakage in machines and other engineering equipment.

* Electronic equipment – Coverage against loss of or damage to electronic equipment, including external information storage equipment.

Those segments are reinsurance intensive, among other things, due to the monetary scale of outstanding claims in those segments.

In 2022, the Company approved a new insurance plan for the insurance of small businesses and freelancers. This plan is marketed through the Company's proprietary digital platform.

For more information about the general characteristics of this segment, see 1.2.4 above.

#### 2.4.2 **Competition**

This segment is characterized by fierce competition from leading companies in this market. According to information in the financial statements for the first nine months of 2023, the main competitors in this segment by premium turnover are Harel (18.8%), Menorah (16.1%), The Phoenix (13.8%), Ayalon Insurance Company Ltd. (13.5%), Clal (12.7%), and Migdal (8.7%). The share of the company in the professional liability and other liability from total premium turnover in the reported period is 1.7%, and the share of the Company in the property and engineering insurance by premium turnover in that period is 1.4%.

The Company addresses this competition by utilizing the expertise and financial robustness of the global AIG corporation, which is a global leader in this segment. In addition, the Company is constantly aspiring to align coverage to customers' needs and develop customized new products.

#### 2.4.3 **Customers**

a. The company is not dependent on any single customer.
b. No customer accounts for 10% or more of the total income of the Company.

### 2.5 **Operating segment E – Health insurance**

#### 2.5.1 Products and services

Health insurance that exists in the Company is designed to compensate or indemnify customers for medical expenses in case of injury and/or medical conditions and to provide various healthcare services through contracted providers. Health insurance products include accident policies for individuals and families; severe illness insurance; and overseas travel insurance.

In 2021, the premium turnovers of the overseas travel sector increased, but were still significantly affected by the Coronavirus Event, primarily as a result of the lockdowns imposed in the first half of the year. In 2022, premium turnovers continued to rise, exceeding those recorded in 2019 (prior to the Coronavirus Event). In January through September 2023, premium turnovers continued to climb, even exceeding their 2022 levels. Starting in October 2023, overseas travel has been in decline, as a result of the Swords of Iron War Event.

On October 7, 2023, a surprise attack was launched on Israel from the Gaza Strip by terrorist organizations. Consequently, the Government of Israel declared a state of war (“War Event”). The War Event impacted the Company, most notably the Company’s results in the life and health insurance sectors. For information on the unfolding of an event in the reporting year and its impact on the business of the Company, see section 1 of the Directors’ Report. In 2023, as a result of the War Event, the Company reached the ceilings prescribed in a catastrophe reinsurance contract in health insurance and activated the contract. The impact of the War Event on the gross results of the health insurance sector amounts to NIS 4.1 million (NIS 1.1 million in retention).

For more information about the general characteristics of this segment, see paragraph 1.2.5 above.

2.5.2 Competition

To the publication date of the report, three companies (Harel, Direct Insurance and the Company) market personal accidents insurance policies. In the reporting year, only the Company, Direct Insurance and Harel marketed the aforesaid product. The share of the Company in personal accident segment of the total premium turnover in the segment in the reported period is 5.8%.

In the overseas travel insurance sector, according to the Authority’s data for 2021, the Company’s share of the premiums is 4.3%. The Company faces the competition in this segment by constantly considering developing new products, new and innovative tools and constantly improving customer service.

Data published by the Authority in June 2023 rank the Company first in the payment of overseas travel insurance claims and personal accidents insurance claims. The Company is ranked first in the service index’s overall service in the personal accidents sector. The Company estimates that the service index may help the Company to become the lead player in this insurance sector.

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

2.5.3 **Customers**

a. The following is the distribution of premiums (gross) by customer type in this segment (thousands of NIS):

| | **2023** | **2022** | **2021** |
|---|---|---|---|
| Private customers – personal accidents insurance | 111,556 | 108,426 | 106,962 |
| Private customers – severe illness insurance | 18,979 | 18,830 | 19,936 |
| Overseas travel insurance | 55,387 | 47,454 | 16,173 |
| Collective policies | - | - | 62 |
| **Total** | **185,922** | **174,710** | **143,133** |

b. The Company mainly sells its products to private customers through direct marketing.
c. In the overseas travel segment, there is dependency on agreements related to Max IT Finance Ltd. ("**Max**"), Isracard Ltd. ("**Isracard**") and Bank Leumi le Israel Ltd. ("**Bank Leumi**") customers., as follows: the sale of overseas travel insurance policies is carried out via the website and the sales center located at the Company's offices that serves, inter alia, the credit card holders of Max, Isracard and Bank Leumi. As part of the agreements, inter alia, that the Company will insure the customers in insurance coverage for travel insurance. Maintaining the current level of activity in this sector depends on the continued existence of these agreements.
d. No customer accounts for 10% or more of the total income of the Company.
e. The rate of cancellations in 2023 of health insurance policies that were in effect at the beginning of the year, in terms of premiums, was 9.2% of total premiums.

## 2.6 **<u>Operating segment F – Life insurance</u>**

### 2.6.1 **<u>Products and services</u>**

The Company sells risk only life insurance policies to private customers (including life insurance for mortgage purposes). The policies cover death and include extensions for permanent disability and total disability, accidental disability, accidental death, critical illnesses and health insurance providing coverage of medical expenses.

In risk policies, the beneficiaries are those designated by the insurance customer (if and to the extent that beneficiaries have been determined) In risk policies for mortgages and other loans, the lending bank is registered as a nonrecourse beneficiary up to the outstanding amount of the loan on the date of an insurance event plus inflation linkage and interest, early repayment fee and arrears interest for up to 12 months of repaying the loan.

As discussed above, health insurance for coverage of medical expenses is managed in the company within the life insurance segment.

In 2023, the underwriting results of the life insurance sector were adversely affected by the War Event. The Company reached the ceilings prescribed in a catastrophe reinsurance contract in life insurance and activated the contract. The impact of the War Event on the gross results of the life insurance sector amounts to NIS 6.8 million (NIS 5.1 million in retention). For information on the unfolding of an event in the reporting year and its effect on the Company's business, see section 1 of the Directors' Report.

For more information about the general characteristics of this segment, see 1.2.6 above.

2.6.2 **Competition**

The life insurance segment is characterized by fierce competition. Most insurance companies are active in this insurance segment and 95% of the life insurance market is dominated by the five large insurance companies: Migdal, Clal, Harel, The Phoenix and Menorah. The share of the Company in insurance policies without a savings component (death risk – individual) is 3.4%.

Customers are very sensitive to insurance rates, among others, thanks to the Authority's calculator that facilitates the comparison of the life and health insurance premiums charged by the various insurance companies, as presented on the Commissioner's website. The Company's handling of the competition is in constant improvement in the provision of customer service, branding and differentiation of the Company's unique advantages and operational efficiency.

In the Company's estimation, intelligent use of such calculators that enable policyholders to make an efficient comparison between insurance companies' tariffs and the continued publication of the service index at an annual frequency will lead to increased competition in the life assurance and health insurance sectors and may affect the Company's market share in these sectors. According to data published by the Authority, the Company is ranked third in the Claim Payment Index in life insurance.

2.6.3 **Customers**

a. The Company is not dependent on any single customer or a limited number of customers. The Company sells the product mainly to private customers through direct marketing. The Company does not have collective customers.
b. No customer accounts for 10% or more of the total income of the Company.

3. **Part C – Additional information about general insurance segments not included among activity segments.**

All insurance segments of the Company are included in Part B of this report.

4. **Part D – Additional enterprise-level information**

4.1 Restrictions and regulation applicable to the activity of the Company

The activity of the Company is subject to the provisions of different laws that are designed to ensure that insurance companies are run adequately. The following is a summary of main legal provisions:

**Insurance Contract Law -** This law mainly provides for the relationship between the parties to the insurance contract.

**Supervision Law –** The Supervision Law defines the duties of the Commissioner and prescribes its powers in relation to the supervision of insurance companies and the grant of a permit to control insurance companies.

a. **Regulations enacted under the Supervision Law – The following is a summary of key regulations enacted under the Supervision Law and which pertain to the Company's activity:**

- Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurer Licensing), 2018 (hereinafter: "**the Minimum Capital Regulations**"). The Minimum Capital Regulations provide for the minimum capital required for obtaining an insurer license in Israel. In addition to these Regulations, insurance companies are also subject to circulars published by the Commissioner in relation to the solvency ratio report. For information on the Company's solvency ratio, see section 3 to the Directors' Report.
- The Supervision of Financial Services (Provident Funds) (Investment Rules Applicable to Financial Institutions), 2012 ("**Institutional Investments Regulations**") and the Supervision of Insurance Regulations (Mode of Investment of the Capital and Reserves of an Insurer and the Management of its Obligations), 2001 (collectively with the Institutional Investments Regulations: "**the investment regulations**"). The investment regulations set investment rules for institutional investors and corporate governance for investment activity.
- For more information on the investment segment of the Company see paragraph 4.4 of this report.
- Supervision of Financial Services Regulations (Insurance) (Qualifications of Supervising Actuary), 2019, which provide for the necessary qualifications of a supervising actuary. In addition to these Regulations, insurance companies are also subject to the provisions of the consolidated circular concerning a Supervising Actuary and a Chief Actuary, which inter alia, require the appointment of a Chief Actuary and prescribe the duties and powers of the Chief Actuary.

- The Supervision of Insurance Operations Regulations (Format and Terms of a Policy), 1980, which provide for the content and format of the insurance policy. Notwithstanding the aforesaid, vehicle property insurance policies and compulsory vehicle insurance policies are subject to the terms of standard policies, as stipulated in the Supervision of Financial Services Regulations (Insurance) (Terms of Compulsory Motor Vehicle Insurance Contracts), 2010.
- The Supervision of Financial Services Regulations (Insurance) (Terms of Insurance Contracts), 1981, provide for the terms and/or provisions that are required to be included in an insurance contract and their wording.

For more information about corporate governance applicable to the Company, see Part E. of this report.

b. **Circulars, clarifications, decisions and Commissioner positions:**

**Circulars**

The following is summary of the key matters concerning the activity of the Company that were addressed by the Commissioner in circulars, clarifications, decisions and opinions of the Commissioner in the reported period and until shortly before the date of issuing this report, and which were not included in the review of lines of business and were not described in prior periodic reports of the Company:

- In March 2023, the Commissioner published an amendment to the provisions of the consolidated circular concerning "Confirmation of the Existence of Insurance", which contains clarifications as to the confirmation of consent to draw up an insurance policy prior to the engagement with the policyholder, which determines, inter alia, that there shall be no material changes that alter the risk to the insurer between the date of confirmation and the date of signing of the insurance policy.
- 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 premiums in the Pool, as described in section 1.2.2 above.
- In June 2023, the Commissioner published a third update to the Roadmap for the Adoption of International Financial Reporting Standard No. 17 - Insurance Contracts, the principals of which are the deferral, by one year, of the initial implementation date of IFRS 17 - Insurance Contracts and IFRS 9 - Financial Instruments, to January 1, 2025. Pursuant to the aforesaid deferral, the dates of the milestones set for the years 2023-2024 for the implementation of said standards have been updated, as have the requirements in relation to the reporting of quantitative impact studies. The Company is preparing for the implementation of the standards' provisions in conformity with the set timetables.

- In June 2023, the Commissioner issued a notice on the further deferral of the coming into effect of the following circulars and supervision directives to October 1, 2023, which is the effective date of part of the provisions of the Health Insurance Reform prescribed in the Economic Plan Law, as described in section 1.2.5 above ("the Health Insurance Reform"): Insurance Circular 2022-1-14, "Amendment to the Provisions of the Consolidated Circular - Volume 6, Part 3, Chapters 1, 2, 3, 4 and 6 - Drawing Up of a Health Insurance Plan" (September 20, 2022) and Insurance Circular 2023-1-2, "Amendment to the Provisions of the Consolidated Circular - Volume 6, Part 3, Chapters 1, 2, 3, 4 and 6 - Drawing Up of a Health Insurance Plan" (September 20, 2022) and Insurance Circular 2023-1-2, "Amendment to the Provisions of the Consolidated Circular - Volume 6, Part 3, Chapters 1, 2, 3, 4 and 6 - Drawing Up of a Health Insurance Plan" (February 7, 2023 - effective date of the renewed policy); Circular 2022-1-12, "Institution and Marketing of Service Appendices - Amendment", which prescribes provisions that are designed to adjust the provisions of the circular to the practices that evolved in the sector and to the Health Insurance Reform and to enable the introduction of upgraded service appendices in different areas and to allow the marketing of certain service appendices, subject to the approval of the Commissioner, by a single service provider; the Supervision of financial Services Directives (Insurance) (Terms of an Insurance Contract for a Basic Health Insurance Policy) (Amendment No. 2), 2023; and the 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. In December 2023, another amendment to the provisions of Insurance Circular 2023-1-2, "Provisions of the Consolidated Circular - Volume 6, Part 3, Chapters 1, 2, 3, 4 and 6 - Drawing Up of a Health Insurance Plan" was published, concerning the date of delivery of notifications to policyholders regarding the option of transfer to insurance policies that comply with the provisions of the Health Insurance Reform.
- In August 2023, the Commissioner published an update to the consolidated circular, The Auditors' Chapter, which contains several updates to the circular, including the introduction of a new directive that requires insurance companies to have the quarterly economic solvency ratio report reviewed by the auditors, using the same practices that are applied in the review of the financial statements, and the taking effect of the Commissioner's directive published in January 2021 concerning the compromised independence of the auditors following the performance of an auxiliary service.
- In September 2023, the Commissioner published a letter addressing all public institutions, according to which special reports of the auditors may only address the appropriateness of a specific report or statement and must be in he format prescribed in auditing standards generally accepted in Israel. The letter also requires public institutions to examine and define the format and scope of the requested special report in conformity with the aforesaid principles and based on the specific circumstances of each case.
- In September 2023, the Commissioner published a ruling concerning the offsetting of amounts from the insurance benefits in vehicle (property) insurance in respect of the difference between the prices of spare parts used to repair the vehicle at a shop that is not included in the arrangement, in relation to the customary practice in some of the insurance companies of deducting part of the insurance benefits, based on the difference between the pricelist of the spare-parts importer quoted by the appraiser in the assessment and the amount that would have been payable by the insurance company for the same spare parts had they been purchased from the spare-parts supplier with which the insurance company has an agreement in place. The Commissioner clarifies that this is an implementation of the provisions of Section 61 of the

Insurance Contract Law concerning the policyholder's obligation to reduce the damage, which are subject to the provisions of the law that apply under the circumstances, including the insurer's obligation to ensure that the policyholder has been clearly instructed what actions he needs to take in order to reduce the damage and that contact is made with policyholder in a timely manner that affords him a reasonably sufficient time to act ahead of the repair. The ruling also clarifies that this constitutes material information that must be provided to the policyholder prior to the signing of the insurance contract. Accordingly, the Commissioner clarifies that an insurance company may not deduct amounts from the insurance benefits payable to a policyholder who acted in good faith to repair his vehicle at a shop that is not included in the arrangement, in the event that an advance disclosure has not been duly given. Therefore, the ruling determines that an insurance company will not offset or deduct from the insurance benefits any amount in respect of the cost of spare parts, unless the policyholder has been given clear and conspicuous disclosure as to the action that he is expected to take upon the occurrence of an insurance event, both at the insurance proposal stage and on the date on which the policyholder reports a claim; for an existing policy, an insurance company shall be permitted to inform the policyholder as long as an insurance event had not taken place prior to the disclosure, and shall be required to inform him of the option that is available to him to cancel the policy and be entitled to a proportional reimbursement of the insurance premium for the remaining period, without any additional charge.

The ruling further determines that an insurance company that has deducted insurance benefits in such circumstances is required to examine whether the deduction was made after proper disclosure had been given to the policyholder, and if the deduction was made without proper disclosure, the insurance company must reimburse the difference to the policyholders, if any (if the insurance benefits paid were less than the amount of the repair paid by the policyholders - less the deductible). The insurance companies were required to submit to the Capital Market Authority the results of such examination. Since the Company does not follow the aforementioned practice, the ruling of the Capital Market Authority, as above, does not impact the Company.

- In September 2023, the Commissioner published the circular, "Online Interface for Surgical Procedures in Israel" (September 28, 2023), which provides for the manner of transfer of information between the HMOs and the insurance companies and specifies the information that the insurance companies and the HMOs are required to exchange via the online interface, this as part of the implementation of the provisions of Chapter G3 of the Supervision Law (Similar Insurance Coverage for Private Surgical Procedures in Israel).
- In September 2023, the Commissioner published an amendment to the provisions of the circular, Requisite Information on the Website of a Public Institution, according to which insurance companies that market a surgical procedures' insurance policy would be required to present a list of the surgeons that are included in the arrangement with the company in relation to surgical procedures' insurance policies in the past 12 months or as from October 1, 2023, as the later of the two, this for the purpose of obtaining the information that will allow the HMO to demand the payment from the insurance company for a surgical procedure funded by the additional healthcare services plan (AHSP) of its policyholders that on the date of performance of the surgical procedure held a "From the First Shekel" surgical insurance policy entered into or renewed commencing on October 1, 2023.

- In October 2023, the Commissioner published emergency directives designed to adapt the work format of supervised entities to the state of war in Israel, as described in section 1.3 above. The directives include amendments to various circulars, including the following:
    - Amendment to Circular 2020-1-10 "Renewal of an Insurance Contract" (February 2, 2021), which permits insurance companies to fully or partially suspend an insurance policy to help policyholders who, within the insurance period, find the insurance coverage to be unnecessary and wish to save on the insurance costs, all subject to the terms that are set out in the amendment. Additionally, insurance companies may renew a policyholder's insurance coverage before obtaining their consent, this also for a period exceeding the 21 days prescribed in the aforesaid circular and for a longer duration than that of which it has notified the policyholder in the notice on the termination of the insurance period. The aforesaid amendment to the circular will be in effect until the declaration of an emergency state at the Homefront is rescinded or until January 1, 2024, as the earlier of the two.
    - Amendment to Public Institutions' Circular 2022-9-1, "Service to Customers of a Public Institution" (January 2, 2022), which permits public institutions to exclude from the annual average the wartime handled calls data. The aforesaid amendment to the circular will be in effect until the declaration of an emergency state at the Homefront is rescinded or until January 1, 2024, as the earlier of the two.
    - Amendment to the provisions of Section 3 to Chapter 1 in Part 4 of Volume 5 of the consolidated circular, "Reports to the Public", which grants an extension of 31 days, until December 31, 2023, for the publication of periodic reports, among others, of insurers, including the solvency ratio report for the June 30, 2023 data (in respect of the final day of the third quarter of 2023).
    - Amendment to the provisions of Chapter 3 to Part 4 of Volume 5 of the consolidated circular, "Reports to the Capital Market Commissioner", which grants an extension of 31 days, until December 31, 2023, for the submission of a quarterly periodic report (including the solvency ratio report and the report on the contribution of investment components of a nostro portfolio) and for the submission of a return components report, as well as a 60-day extension, until March 31, 2024, for the submission of an Own Risk and Solvency Assessment - ORSA (an annual report to the Commissioner concerning an insurance company).
    - Amendment to the provisions of Circular 2022-1-2 "Reports to the Capital Market Commissioner - Own Risk and Solvency Assessment (ORSA)" (January 5, 2021), which postpones the initial reporting date of forward-looking assessments and of scenarios and sensitivity tests, which are required within the ORSA report, from the upcoming to the subsequent reporting date, taking place in January 2025.
    - Amendment of the provisions of the consolidated circular, Volume 5, Part 1, Chapter 2, "Board of Directors of a Public Institution", which cancels the requirement to physically convene the board of directors and its committees at least once every quarter. Accordingly, boards of directors of public companies are permitted not to physically convene during the period from October 12, 2023 to December 31, 2023.

- Amendment to Section 8 of Chapter 9 in Part 1, Volume 5 of the consolidated circular, “Supervising Actuary and Chief Actuary”, which permits the submission of the Chief Actuary’s report as of December 31, 2023, together with the accompanying solvency ratio reports, by the end of two months of the end of the first quarter of 2024 or by the end of 3 days of the signing of the financial statements for the first quarter of 2024, whichever is earlier.

- In November 2023, the Commissioner published a document that provides emphases and clarifications with regard to the periodic report of public institutions for the third quarter of 2023, in view of the War Event and its potential implications on the Israeli economy and on the public institutions. The Company implemented these provisions in its periodic report for the third quarter of 2023.
- In December 2023, the Commissioner published the “Emergency Directives of the Commissioner of the Capital Market, Insurance and Savings - November 2023”, which include additional amendments to circulars, further to the amendments included in the Commissioner’s notice from October 2023 (as described above), that are designed to enable entities that are supervised by the Capital Market Authority to optimally address the challenges of implementing the directives of the Commissioner on the backdrop of the ongoing state of emergency in the economy and the ensuing special circumstances. In his notice, the Commissioner, inter alia, amends the following circulars:
- Amendment to the provisions of Insurance Circular 2023-1-2, “Consolidated Circular - Volume 6, Part 3, Chapters 1, 2, 3, 4 and 6 - Drawing Up of a Health Insurance Plan”, requiring the insurance companies to deliver to their holders of basic health insurance policies as from 2016 a notification regarding the option of transfer to insurance policies that comply with the provisions of the Health Insurance Reform (“the New Policies”), this within 90 days of the initial marketing of the New Policies. The amendment postpones the date of the aforesaid notification to the policyholders and determines that these will be delivered together with the insurance companies’ notification to their policyholders on the upcoming renewal of policies, in June 2024.
- Amendment of the provisions of Public Institutions’ Circular 2023-9-4, “Amendment of the Provisions of the Consolidated Circular on Reports to the Commissioner - Version 11”, which postpones the effective date of the requirement to report at the single-asset level to the date of the report for the first quarter of 2024.

**Drafts**

Following is a summary review of drafts published by the Commissioner in the reporting period until shortly before the date of publication of the report, which may have a material effect on the Company:

- In April 2023, a draft circular was published concerning Discounts and Cancellations in Life Insurance Policies, which proposes the establishment of provisions for the granting of discounts in life insurance policies, which is primarily designed to determine that the rate of discount on premiums in life insurance will not be reduced at any time throughout the insurance period. It is further proposed to institute a mechanism for the refund of the one-time commission paid by the insurance company to a marketer of a life insurance policy (other than a current commission paid to the marketer of the policy over the insurance period).

- In June 2023, a draft amendment to Appendix 6.2.1, Volume 6, Part 2 of the consolidated circular concerning Parameters and Categories in Compulsory Vehicle Insurance was published, which proposes an update to the list of parameters that may be used by insurance companies to calculate the insurance premiums in the compulsory vehicle insurance sector, this in line with technological developments in vehicle safety, including milage and Advanced Driver Assistance Systems (ADAS).
- In December 2023, a second draft amendment to a circular was published, which is designed to update the information that is required to be included in the reports that accompany the financial statements of insurance companies ("Reporting Forms"), to align them with the provisions of International Financial Reporting Standard (IFRS) No. 17, "Insurance Contracts", IFRS No. 9, "Financial Instruments", and IFRS No. 7, "Financial Instruments: Disclosures". This draft includes additional Reporting Forms to those included in the previous related draft from December 2022 ("the Previous Draft") as well as updates to Reporting Forms included in the Previous Draft.
- In January 2024, a draft circular was published that proposes an update to Chapter 9 of Part 1 in Volume 5 of the consolidated circular, "Supervising Actuary and Chief Actuary", by requiring the preparation of an annual report by the Chief??? Actuary, to be submitted on the date of submission of the Company's economic solvency report files at the end of the passing year. According to the draft, the report will include a review of the application of the solvency provisions to the processes, the actuarial calculations and the sums derived therefrom, as well as of the work of the actuarial team in the covered period.

**Legislation/ Bills/ Regulations**

- In July 2023, an amendment to the Insurance Contract Law was published, which is designed to make it easier for holders of policies obtained within the framework of a housing loan to refinance the mortgage and change the institutional financier without being required to obtain the insurer's approval to the change of an insured in a policy when refinancing the mortgage, provided that an institutional financier is defined as another beneficiary in the same policy within the framework of a new housing loan, whereby such replacement of the beneficiary will take effect on the date of repayment of the housing loan granted by the first beneficiary.
- On the backdrop of the "Swords of Iron" war, several regulatory easements were published, including the publication in the Official Gazette, in October 2023, of the Deferral of Dates Law (Ad Hoc Provision - Swords of Iron) (Contract, Ruling or Payment to an Authority), 2023, that allows the deferral of payments due under any contract (including commercial contracts) by a minimum of 30 days (from October 7, 2023 to November 7, 2023 ("the Record Period")) by anyone defined in said law as eligible, which generally includes anyone significantly affected by the events of "Swords of Iron", including missing individuals, hostages and captives, evacuated individuals and members of the security and rescue forces. Orders published in November and December 2023 extended the Record Period for an additional period, until February 29, 2024.

## 4.2 Entry and exit barriers

### 4.2.1 Key entry barriers

Key barriers on entering the different activity areas of the Company are as follows:

a. Licenses and permits: According to the Supervision Law, practicing in each insurance sector required obtaining an insurer license from the Commissioner. In addition, holding more than five percent of a specific type of controlling instrument in an insurance company is conditioned on obtaining a permit to hold controlling instruments from the Commissioner, and controlling an insurance company also requires a controlling permit from the Commissioner.

b. Capital: An insurer has to comply with capital to solvency ratio requirements as prescribed by the Commissioner. For more information about regulatory capital requirements that apply to the Company and compliance of the Company, see Section 3 of the Directors' Report and Note 12 to the Financial Statements.

c. Infrastructure: Given the complexity of the insurance products and their daily management, an insurance company needs to create an organizational, IT and operating infrastructure and continuously maintain it.

d. Expertise, experience and reputation: Being an insurer requires a focused professional knowledge and understanding of different insurance aspects, mainly involving actuary, underwriting, investment, reinsurance, marketing and risk management. In addition, to set rates and underwriting terms for new policies, it is important to have experience and a broad actuarial database.

e. Minimum revenue: An insurance Company must generate minimum revenue to cover the high operating costs involved in investment in buying, maintaining and upgrading systems and infrastructure, including the need to comply with regulatory change that take place from time to time.

f. Reinsurance: the ability and knowhow to buy adequate protection from reinsurers and to engage in reinsurance contracts with them.

### 4.2.2 Key exit barriers

The key barriers on exiting the different activity areas of the Company are as follow:

a. Liquidation or dissolution of insurance business: A liquidation or dissolution of an insurer are subject to oversight by the Commissioner, who may order the insurer to act in a certain way upon dissolution of its business or to ask a court to order the dissolution to be controlled or overseen by the court.

b. Run-off: The around policies with long claims tail may continue for many years until all claims for policies sold prior to the termination of the activity are settled and until all rights of existing insurance customers are satisfied or until the sale of the insurance activity.

### 4.2.3 Limitations in control permit

The main limits in a permit to control a company are as follows:

a. Maintaining control over the Company: The control permit is granted to AIG based on the rate of its holdings, direct and indirect, in the means of control, as at the date effective date of the permit, subject to obtaining the Commissioner's approval, in writing and in advance, and under the terms set by the Commissioner.

b. Prohibition on transferring rights to controlling instruments to a third party: AIG committed to maintain all controlling instruments of the Company free and clear at all times, as set out in the control permit.

c. Capital replenishment: A company in the AIG control chain irrevocably committed to replenish the capital of the Company, if required, up to the amount required by the Minimum Capital Regulations, or by any other regulation or law that supersedes said Regulations, while AIG is controlling the company.

d. Interested party transactions: AIG, the entities it controls and companies in the control chain of the Company are entitled to management fee from the Company only under a written management agreement that is submitted to the Commissioner at least sixty days prior to its effective date, provided that the Commissioner has not opposed that agreement prior to its effective date. The above limitation does not apply to providing services in the ordinary course of business and at arm's length by such companies.

e. Change to articles of association: Any change in the articles of association of the Company that may impact the control over the Company or any term of the controlling permit is subject to an advance, written approval by the Commissioner.

4.3 **Key success criteria**

a. Changes in the macroeconomic situation in Israel and globally, including changes in the security situation, inflation, interest rates, unemployment, the average salary, pandemics, disasters, etc., may have material impact on the Company's business results. Changes in the regulatory policy for capital markets and volatility in the capital markets, in general, and bond yields, in particular, may have material impact on the business results of the Company.

b. The internal political situation and the foreign affairs and security situation of Israel affects the fiscal and monetary situation of the Israeli economy and the position of the capital market. In addition, different security arrangement may have impact on the prevalence of car theft in Israel and thus, have material impact on the results in the vehicle property insurance business.

c. The Israeli insurance market is competitive, especially so in retail insurance, which is the main activity of the Company. Raising rates given the competition in this market may impact profitability of the Company. For more information about the competition in the Company's different areas of activity and measures that the Company is taking to deal with this competition, see paragraphs 2.1.2, 2.2.2, 2.3.2, 2.4.2, 2.5.2 and 2.6.2 above.

d. Frequent changes in regulatory requirements and case law may have material impact on the business results of the Company.

e. In addition, the Company believes that the key factors for success in its activity include: frequent revision of actuary assumptions that underlies rates; improvement of the quality of services to the policyholders, professionalism and underwriting data reliability; the quality of reinsurance and stability of reinsurers; customer mix and loyalty; customer retention levels; cutting operating costs; marketing and distribution; costs of IT and supporting systems; quality of investment portfolio management and investment income; streamlining claims management and settlement costs; achieving a high rate of subrogation; improving the quality of customer service to customers; low frequency of natural disasters; reducing the scale of insurance fraud; recruiting and retaining quality human capital; improvement of agreements with suppliers and assimilation of responsible procurement considerations, the quality of collection of the Company, the creation of new distribution channels, continuous improvement in the field of digitization and automation, the ability of the Company to allow its employees to work remotely in contingencies, and the development of new insurance products that address a sustainable need.

Those success factors have not materially changed in 2023, except the security situation due to the war.

4.4 **Investments**

The Company manages nostro funds only. Investments of the Company are managed by the Company's external portfolio managers according to instructions by the Investments Committee, which was set up pursuant to the Supervision Law and investments regulations, and according to investment asset chapter in the consolidated circular, as well as other provisions of the Commissioners concerning investments.

The investment policy of an insurer is determined by the Company's board based on recommendations of the investment committee according to the law. The Company mainly implements a prudent and conservative investment policy including:

- Investment in listed Israeli government bonds
- Investment in high-rated Israeli corporate bonds
- Investment in bonds with short to long average term to maturity and in accordance with the duration of the insurance liabilities
- Investment in shares through instruments that track leading share indices internationally

Credit risks involved with those investments are managed according to the law and the policy of the board through the investments committee and the distress debt center of the Company. The Company is not required to appoint a specialized credit committee. The risk management policy includes exposure limits, including, limits on exposure to one debtor, a group of creditors, linkage basis, industry, liquidity and credit rate.

For more information on the composition of Company investments, see notes 10 and 27 to the financial statements. For information about the contribution of investment components on the proprietary portfolio, go to: http://www.aig.co.il/אודות-aig/תיק-הנוסטרו

For more information about the composition of net investment income and net financing income, see note 21 to the financial statements.

4.5 **Reinsurance**

a. **General**

Reinsurance engagements of the Company are made on an annual basis according to the activity area. All engagement agreement with reinsurers are discussed annually by the Company's Audit Committee and board and reported annually to the Commissioner according to the Commissioner's guidance. In each insurance segment, the reinsurance coverage is adjusted to the nature of risk and its level. The types of coverage that the Company commonly uses:

- **Proportional reinsurance**: Those reinsurance arrangements include quota share and surplus insurance. In quota share insurance, the relative division between the reinsurer and the insurance company is identical for all policies in a given insurance area. That proportion is used for dividing both premiums and claims. In a surplus insurance, the insurance company predefines the risk level it assumes, and the remaining risk in each policy is transferred to the reinsurer, meaning that the share of the reinsurance in the risk can vary from one policy to the other.

- **Non-proportional reinsurance**: Excess of loss insurance ("**XOL**") – this type of reinsurance covers claims or events over a certain amount, i.e., the insurance cover exceptionally high multiple-risk individual claims. Any amount below the predetermined amount is covered by the insurance company only and not by the reinsurance.

- **Facultative reinsurance**: Those reinsurance arrangements cover special risks embedded in specific policies. For the most part, such business is reinsured in this way when the insurance amount exceeds the capacity of reinsurance contracts mentioned above.

The reinsurance exposure policy is established by the risk management and equity committee of the Company and is approved annually by the board of directors of the Company. This policy is based on internal actuarial assessments, various models and claim history. As part of this policy, the sectors in which it is more efficient to transfer the risk to reinsurers based on risk management factors and the size of capital held by the Company. According to the provisions of the Supervision Regulations, the board approves once annually the retention that the Company holds by activity segments and the exposures to reinsurers.

b. **American International Overseas Association companies:**

A major share of reinsurance is by the following three insurance companies (referred to together as: "**AIOA companies**"):

| Company name | Participation (%) |
|---|---|
| New Hampshire Insurance Company | 12% |
| National Union Fire Insurance Company of Pittsburgh, PA | 78% |
| American Home Assurance Company | %10 |

Those three companies are members of the global AIG Corporation, and are related parties of the Company

As of the date of this report, those three reinsurers are rated A+ by S&P.

For more information about total premiums transferred in 2023 to reinsurers, see note 27f(5) to the financial statements. For more information about balances and transactions with interested and related parties, see note 28 to the financial statements.

c. **Compulsory vehicle insurance**

The Company engaged in the reported year in this insurance segment in an XOL reinsurance contract with AIOA. The premiums recorded in favor of that company in the reported year was NIS 3,548 thousand. No fees are paid under this contract. The Company activated the reinsurance contracts in 2023 and the coverage ceiling of the contract is in an unlimited amount.

d. **Home insurance**

The Company entered in the reported year into a surplus reinsurance contract with AIOA. The fee is 31%.

For catastrophe events (e.g. earthquakes and other natural disasters), the Company purchases in addition to a proportional reinsurance coverage also XOL reinsurance for home insurance. The assessment of the risk for a catastrophe event, and the expected damage was made by a professional team. According to updated calculation using special statistical models, the maximum probable loss (MPL) after self-retention is 0.34%. The Company protects itself against earthquake events, including one in 250-year magnitude events. The MPL for calculating catastrophe risks in general insurance in calculating the Company's economic solvency regime (Solvency II) is 1.84%.

As of December 31, 2023, the insurance amount covered by proportional reinsurance in relation to earthquakes is NIS 520 thousand, while amounts covered in non-proportional reinsurance amount to NIS 111,174 million. As of the date of this report, the Company acquired reinsurance coverage of NIS 1,865 million over the Company's retention, which is NIS 30 million for catastrophe.

The following is a list of premiums in home reinsurance (in thousands of NIS):

| Home reinsurance premium: | 2023 | 2022 | 2021 |
|---|---|---|---|
| Proportional | 4,151 | 3,686 | 3,180 |
| Non-proportional - earthquake | 27,789 | 15,077 | 10,748 |
| **Total** | **31,940** | **18,763** | **13,928** |

Note that this table does not refer to underwriting years but to the general calendar results at the segment level as presented in note 4 to the financial statements and may not indicate the underwriting results of reinsurers by underwriting years.

The premium recorded in favor of the AIOA companies in the reported year is NIS 31,531 thousand, and fees amount to NIS 1,209 thousand.

e. **Commercial insurance**

The Company engaged in the reported year in quota share and surplus reinsurance contracts in liabilities, professional liability, property, contractors, mechanical breakage and electronic insurance contract with AIOA. The premiums recorded in the reported year to the related companies amounted to NIS 132,353 thousand. The Company received fees on those contracts at a fixed rate of 26% to 37% from the premium.

In property insurance, the Company also entered into an agreement with other companies for fixed facultative quota share reinsurance. The companies are Munich Re, rated AA- by S&P, Sompo International, rated A- by S&P, and Hannover Re, rated AA- by S&P.

The Company does not purchase XOL catastrophe coverage in property insurance and commercial insurance due to the lower retentions to which the Company is exposed.

f. **Health insurance**

The Company entered in the reported year into the following reinsurance contracts in this segment:

- A surplus reinsurance contract, with fee as a fixed percent of premium (35%). Reinsurers in this contract are AIOA.

- A Quota Share reinsurance contract in certain critical illness products. The reinsurer in this contract is Swiss Re, which is rated AA- by S&P.

- In 2023, the Company entered into an XOL insurance contracts for catastrophes with AIOA companies. During a war event in 2023, the Company reached the ceilings prescribed in said contract and activated the contract. The Company renewed the aforesaid contract for 2024.

- The premiums credited to AIOA companies in the reporting year totaled NIS 2,060 thousand. The reinsurance commissions totaled NIS 527 thousand.

g. **Life insurance**

The Company engaged in surplus reinsurance contracts with Swiss Re, which is rated AA- by S&P. Previously, the Company also engaged with Partner Re, which is rated A+ by S&P and with Gen Re, which is rated AA+ by S&P. Fees on those contracts are at a fixed rate of premium.

In 2023, the Company entered into an XOL insurance contract for catastrophes with AIG reinsurance Company Ltd. ("**AIRCO**"), a member of the global AIG corporation and a related party of the Company, which was awarded an A+ rating by S&P. During a war event in 2023, the Company reached the ceilings prescribed in said contract and activated the contract. The Company renewed the aforesaid contract for 2024.

The following is information about premiums transferred to those companies:

| Reinsurer name | Total reinsurance premiums (NIS in thousands) | % of total reinsurance premiums |
|---|---|---|
| Swiss Re | 30,403 | 90% |
| Partner Re | 2,456 | 7% |
| AIRCO | 5896 | 2% |
| Gen Re | 404 | 1% |
| **Total** | 33,849 | **100%** |

**h. Summary of reinsurance results in general and health insurance (in thousands of NIS):**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Compulsory vehicle insurance** | | | |
| Reinsurance premiums | 3,548 | 3,129 | 2,878 |
| Income / (loss) | (14,598) | 15,941 | (35,247) |
| | | | |
| **Home insurance** | | | |
| Reinsurance premiums | 31,940 | 18,763 | 13,928 |
| Income | 27,174 | 15,137 | 11,868 |
| | | | |
| **Health insurance** | | | |
| Reinsurance premiums | 3,702 | 3,150 | 2,717 |
| Income / (loss) | (4,919) | 540 | 873 |
| | | | |
| **Commercial insurance (*)** | | | |
| Reinsurance premiums | 173,406 | 163,339 | 156,237 |
| Income | 24,108 | 78,449 | 15,077 |
| | | | |
| **Total** | | | |
| Reinsurance premiums | 212,596 | 188,381 | 175,760 |
| Income / (loss) | 31,765 | 110,067 | (7,429) |

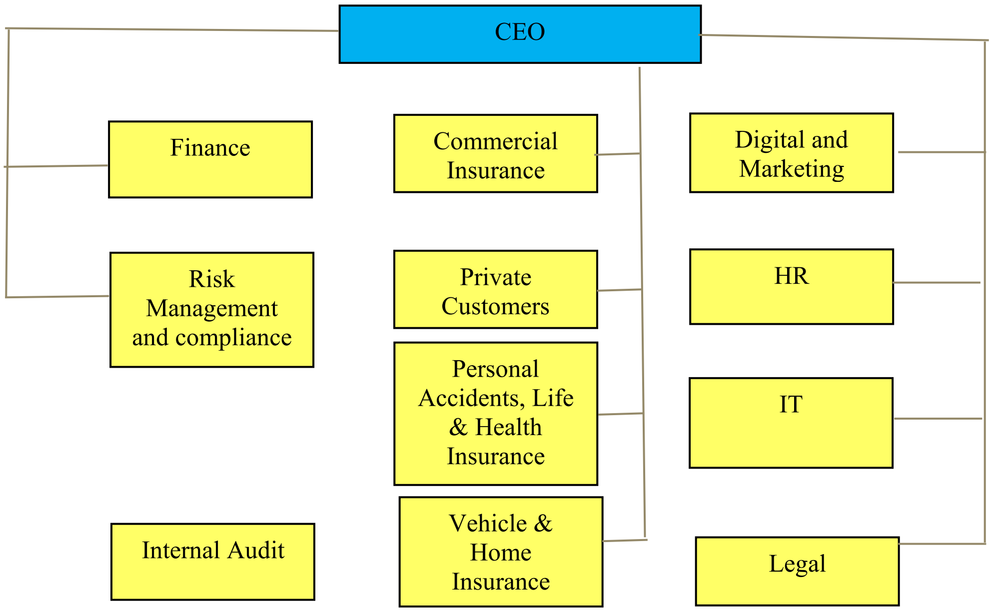
(*) Reinsurance premiums in commercial insurance are proportional contracts only and include earthquake premium of NIS 9,837 thousand in 2023 and NIS 8,930 thousand in 2022.

For more information on reinsurance results, see note 27.f.3.5 to the financial statements.

### 4.6 **Human capital**

a. General

The following is an organizational structure of the Company as of the date of this report:




The organizational structure of the Company is based on operations through a head office, located in Petach Tikva, Israel.

As of December 31, 2023, the Company had 840 employees, compared with 744 employees at the end of 2022. Close to 72% of employees work in the Company's sales centers, compared with 70% in 2022. The Company has no dependence on any single employee.

The Company believes in the importance of improving its human capital and is conducting from time to time professional seminars to managers and other employees about different areas of activity. The Company is investing special efforts to train new employees in sales and customer service centers. In addition, trainings are also provided by AIG Global on professional matters with the attendance of managers and other employees of the Company. The Company constantly reviews its workforce and options for improving the efficiency of its employees.

The weighted number of employees in the Company based on full-employment equivalent as of December 31, 2023 and 2022, based on the organizational structure if as follows:

| Activity area: | 2023 | 2022 |
|---|---|---|
| Sales and services centres | 516 | 474 |
| Claims | 76 | 74 |
| Headquarters - business divisions | 42 | 39 |
| IT | 46 | 42 |
| HR | 12 | 12 |
| Finance | 24 | 24 |
| Marketing and digital | 16 | 15 |
| Other | 19 | 19 |
| **Total** | **751** | **699** |

b. Executives:

- Senior management, including the CEO, comprised 12 executives on the date of issuing this report, similarly to last year. For more information about management – see Regulation 26A in Chapter D to the report "Additional Information on the Corporation".
- To the publication date of the report, the board of the Company includes 6[1] directors, of which 3 are independent directors. For more information see Regulation 26 in Chapter D of the "Additional Information on the Corporation" chapter.

c. Compensation policy of the Company

Company employees, who are not executive, may be eligible to an annual bonus. The bonus will be paid based on the Company's financial position and its meeting of its business targets; payment of the bonus is subject to the approval of the Company's board of directors. The amount of the potential annual bonus is set based on the rank of employees as a range of several salaries. This range is based on the level of performance of the employees compared to other employees in the relevant department in the Company or in the Group.

Employees in sales and services - employees of the Company who are engaged in marketing and sales to customers, such as sales managers, portfolio managers, portfolio retention managers, and service and sales representatives may be eligible to monthly or quarterly bonuses on top of their basic salary; this bonus is based on the scope of activities they are in charge of. This type of bonus changes from time to time in accordance with the business targets of the Company. The targets such employees need to meet in order to become eligible to the bonus are determined in a manner that will not encourage employees to behave unfairly to clients in order to become eligible to the bonus.

Control and supervision employees – the eligibility of those employees to annual bonus is not determined in accordance with their meeting any performance targets relating to the activities they are in charge of.

[1] The Company is waiting to receive the non-objection of the Commissioner of the Capital Market to an additional director in the Company.

Officers (who are not directors) – The Company compensation policy to offices are according to legal requirements, including the provision of the circular titled "Compensation Policy in Financial Institutions" and the amendments of that circular. In early, 2016, a compensation plan was adopted for officers of the Company (including the CEO of the Company). The policy has been validated and updated in 2019 pursuant to the updated Compensation Policy circular. Subject to meeting personal annual goals, officers are entitled to a bonus whose overall ceiling and its payment are predetermined by the compensation committee and board of the Company. The amount of bonus to officers is determined according to the rate of meeting those goals, multiplied by the number of salaries as determined by the compensation committee and board of the Company. The provisions of the aforesaid plan determine, inter alia, that for those whose bonus amount exceeds 50% of the total annual compensation, the bonus will be spread over four years (50% in the first year and the remainder in three equal batches over the subsequent years, subject to the Company's compliance with a predetermined profit criterion), while others shall be entitled to a full one-time payment.

According to this compensation plan, no bonus is paid to officers if the Company fails to meet the capital level as required by law.

Approval of the goals of each annual plan, review of actual results and approval of bonus payment are approved by the compensation committee and the board of the Company.

The annual compensation for each bonus period is computed as the percentage of meeting the targets for the bonus period multiplied by the amount in the personal target for each officer, which is composed of his/her average salary during the bonus year, times the "salary component" that was set by the Board of Directors of the Company according to his/her role in the Company.

Directors – the salary of Company's independent directors is determined in accordance with the provisions of The Companies Regulations (Rules Regarding Compensation and Expenses to Independent Directors), 2000.

For further details regarding the employment terms of senior office holders in the Company, see Regulation 21 in Part D of the annual report.

For more information about the compensation policy of the Company, go to:
https://www.aig.co.il/about_aig/מדיניות-התגמול/

## 4.7 Marketing and distribution

The Company sells coverage directly to customers without involvement of insurance agents. This methodology is characterized by a direct relationship between the Company and its existing and prospect customers. This relationship is maintained by the main centers of the Company (sales and service) through digital channels, including marketing, sales and service websites.

The call centers and websites of the Company are major marketing and sales resources of the Company. A disruption of those communications resources over time may materially impact the activity of the Company. The Company also sells retail policies (vehicle, home insurance, mortgage insurance and personal injury) and commercial insurance through insurance agents. Agents receive commissions at a percentage of premiums according to the rate of collection of those premiums.

The amendment to the circular concerning the process of acceptance to an insurance plan obligates insurance agents to disclose to insurance candidates, during the acceptance process, that most of their income is derived from specific insurance companies.

As part of promoting its marketing efforts, the Company uses, among other things, advanced methods for storing databases allowing automated connectivity as well as decision-supporting systems and auxiliary systems like: a telephone system, recording applications, email, telemarketing, document scanning, sending automated email and more. The Company has a computer system that monitors work flow.

The main marketing channels of the Company are as follows:

- Advertising on mass media (television, billboards, press and radio);
- Advertising on digital media (search engines, such as Google, social media, such as Facebook and Instagram, advertising on various websites, etc.).
- Purchase of leads from specialty firms (e.g. mortgage consultants).
- Collaborations with leading companies (e.g. credit cars companies, loyalty clubs, car importers, etc.).
- Use of databases of the company for cross-sales and up-sales; and
- Public relations.

a. Vehicle property insurance

Policies in this segment are marketed mainly through direct marketing. The average commission paid to agents (before VAT) is 16.0% of gross premium.

b. Compulsory vehicle insurance

Policies in this segment are marketed mainly through direct marketing. The average commission paid to agents (before VAT) is 3.3% of gross premium.

c. Home insurance

Policies in this segment are marketed mainly through direct marketing. Additionally, the Company sells policies in the segment through customers who are interested to buy life insurance for mortgage lending purposes and contacted the Company thanks to marketing efforts in life insurance.

d. Health insurance

Policies in this segment are marketed mainly through direct marketing. In addition, the Company sells its products in this segment through telemarketing (cross sale) and on the Company's website (overseas travel insurance only). With regard to dependence on a distribution channel in the sector of overseas travel insurance see section 2.5.3 above.

e. Commercial insurance

Policies in this segment are marketed exclusively through insurance agents. As of the date of this report, the average commission paid to agents (before VAT) in the liability business is 16.2% of gross premium, in professional liability 16.4% and in property and engineering 9.2%.

f. Life insurance

The Company mainly sells individual insurance policies in this sector to customers directly.

4.8 **Suppliers and services providers**

a. General

The Company buys products and services from numerous suppliers including advertising and marketing providers, equipment and maintenance providers, legal services providers, appraisers, investigators, healthcare institutions, software and hardware providers, auto repair and parts services, towing services, auto glass repair, damage repair, providers of water claim management, car leasing, etc. The cost of some of those purchases is recognized within cost of claims in the different insurance segments, and mainly in compulsory and property insurance.

The Company selects its suppliers according to cost, quality, quality, availability and expertise. Usually, engagement with providers is for a predefined period (automatic annual renewal) and do not involve exclusive arrangements.

b. Vehicle property insurance

The Company purchases products and services from different providers, including advertising and marketing providers; legal services providers; appraisers; investigators; vehicle repair and parts services; used car dealers for damaged or retrieved after theft; towing; auto glass repair, light and mirror repair, bumper repair etc. A significant part of the cost of those purchases is carried to the cost of claims. The Company is not materially dependent on any supplier or services providers.

c. Compulsory vehicle insurance

The Company purchases products and services in this segment from different providers, including: advertising and marketing providers legal services providers, hospitalization and other healthcare services, investigators etc. A significant part of the cost of those purchases is carried to the cost of claims. The Company is not materially dependent on any supplier or service providers.

d. Home insurance

In this segment, the Company purchases products and services from different providers, including: advertising and marketing providers, legal services providers, appraisers and investigators, as well as direct engagement with a management company for the settlement of water damage claims and with plumbers under arrangement. A significant part of the cost of those purchases is carried to the cost of claims. The Company is not materially dependent on any supplier or service providers.

e. Health insurance

The Company purchases in this segment products and services from various providers, including healthcare service providers, advertising and marketing services, legal services providers, investigators, overseas traveler assistance services, etc. A significant part of the cost of those purchases is carried to the cost of claims. The Company is not materially dependent on any supplier or services providers.

f. Commercial insurance

The Company purchases in this segment legal, survey, appraisal and investigation services. A significant part of the cost of the above services is carried to the cost of claims. The Company is not materially dependent on any supplier or services providers.

g. Life insurance

The Company purchases in this segment products and services from various providers, including healthcare and legal service providers, investigators, advertising and marketing providers, etc. The cost of those purchases is carried to the cost of claims. The Company is not materially dependent on any supplier or services providers.

h. Non-segment specific service providers

- **Computer and software suppliers** – The Company is engaged with a number of software and hardware providers for both purchasing new products and for regular maintenance of its systems. The main suppliers for maintaining the insurance system are Comtech Ltd. and Dortel Software Systems Ltd. The total payment (including VAT) to those suppliers in NIS millions are as follows:

| Provider | 2023 | 2022 |
|---|---|---|
| Comtech Ltd. | 2.5 | 3.1 |
| Dortal Software Systems Ltd. | 3.2 | 2.1 |

- **Marketing and advertising service providers** – The Company sells most of its products through direct marketing to customers and therefore its marketing and advertising purchases are material in relation to most other insurance companies. The primary advertising service provider of the Company in this area in 2023 was the advertising agencies Reuveni Pridan Ltd. and Google in digital. For more information about the Company's scope of expenses, see note 24 to the financial statements.

## 4.9 Property, plant and equipment

a. Property, plant and equipment (PPE) of the Company is located at the Company's headquarters at 25 Hasivim St., Petach Tikva, and in the emergency site of the Company Tirat Hacarmel. For more information, see notes 5 and 7 to the financial statements.

b. Computer systems – The Company has an internal information technology (IT) unit, providing automation services to Company units, and is uses the services of suppliers and software companies, as necessary, for ensuring the required computing services. The main development and production site is located at Company headquarters in Petach Tikva, and there is also a backup site for emergencies in the Haifa area.

The main core systems of the Company include the insurance systems and financial systems that are installed on an IBM AS-400 computer.

In 2022 and 2023, the Company invested NIS 44 million in hardware and software, the majority of which was allocated to the development of advanced digital services for the Company and its customers (such as self-service on the Company's website), to the development of automation capabilities and to the upgrading of core systems. The depreciated cost balance of computer systems (including computer software) in the Company as of December 31, 2023 was NIS 39.7 million.

### 4.10 Seasonality

a. The following table presents gross premiums (general insurance and life insurance) by quarters:

| 2023<br>Quarter | 1 | 2 | 3 | 4 | Total |
|---|---|---|---|---|---|
| Vehicle property insurance | 182,658 | 154,666 | 195,734 | 160,572 | 693,630 |
| Compulsory vehicle insurance | 69,962 | 60,524 | 72,255 | 59,607 | 262,348 |
| Home insurance | 44,398 | 37,447 | 44,143 | 34,275 | 160,263 |
| Commercial insurance | 52,971 | 39,457 | 55,278 | 37,758 | 185,464 |
| Health insurance | 43,144 | 46,706 | 55,524 | 40,548 | 185,922 |
| Life insurance | 39,972 | 40,557 | 40,823 | 40,971 | 162,323 |
| **Total** | **433,105** | **379,357** | **463,757** | **373,731** | **1,649,950** |

| 2022<br>Quarter | 1 | 2 | 3 | 4 | Total |
|---|---|---|---|---|---|
| Vehicle property insurance | 136,471 | 111,958 | 133,391 | 115,481 | 497,661 |
| Compulsory vehicle insurance | 63,792 | 53,351 | 60,663 | 53,021 | 230,827 |
| Home insurance | 38,784 | 33,435 | 39,907 | 33,617 | 145,743 |
| Commercial insurance | 47,592 | 38,341 | 50,589 | 38,750 | 175,272 |
| Health insurance | 36,917 | 43,535 | 50,326 | 43,933 | 174,710 |
| Life insurance | 38,022 | 38,784 | 39,464 | 39,855 | 156,125 |
| **Total** | **361,578** | **319,404** | **374,337** | **325,022** | **1,380,341** |

b. The mechanism for computing reserves for unexpired risk in general insurance is mitigating the impact of seasonality on income turnover.

**4.11 Intangible assets**

**Trademarks / Logo**

a. As a rule, the trademarks used by the Company in its ongoing activities are registered under the global AIG corporation;

b. AIG is the registered trademark of the global AIG corporation, as is the trademark "AIG Israel 1-800-400-400", which is the primary brand used by the Company for contacting its sales center. In addition to the aforesaid, the global AIG corporation owns trademarks that are used by the Company in its ongoing activity, such as "Just Drive", "Safe Travel", and more.

**Databases**

a. The Company maintains databases that are critical to its business activities in conformity with the Protection of Privacy Law, 1981.

b. For more information on intangible assets - see note 5 to the financial statements.

## 4.12 Risk factors

There are a number of risk factors affecting the profitability and stability of the Company. The following table presents risk factors and their impact on the Company:

| Risk type | Risk factors | The degree of influence of the risk factor on the Company | | |
|---|---|---|---|---|
| | | Significant impact | Moderate impact | Small impact |
| Macro risks | Economic slowdown in Israel | | √ | |
| | Interest | √ | | |
| | Inflation | √ | | |
| | Share and bond prices | √ | | |
| | Credit spreads | | √ | |
| | Exchange rates | | √ | |
| | International market risks | | √ | |
| | Credit risk | | √ | |
| | Asset/liability alignment risk | | | √ |
| | ESG | | | √ |
| | Employment rate in the economy | | √ | |
| Industry risks | Portfolio retention | | √ | |
| | Competition | √ | | |
| | Earthquake | √ | | |
| | Terrorism, War | | √ | |
| | Epidemic | | | √ |
| | Regulation and compliance | √ | | |
| | Theft, accidents and fire | √ | | |
| | Reinsurance stability | | √ | |
| | Legal risks | | √ | |
| Company-specific risks | Model, parameters, underwriting risks, pricing | | √ | |
| | Operating risks | | √ | |
| | IT risk | √ | | |
| | Information security and cyber risk | √ | | |
| | Liquidity risk | | | √ |
| | Reputation risk | √ | | |
| | Work relations | | | √ |
| | Unaffiliated suppliers | | √ | |

The impact of the above risk factors is based on the discretion of management based on the judgment of management based on the existing assessment as of the date of this report. This assessment is general and it is possible that different factors may have indirect impact if occurring concurrently.

For more information on the overall risk exposure of the Company – see note 27 to the financial statements.

4.13 **<u>Material agreements and cooperation agreement</u>**

No material agreements were signed in the reporting year outside the ordinary course of business.

4.14 **<u>Other forecasts and assessments on the business of the Company</u>**

This section, by nature, includes forward-looking information, as defined by the Israel Securities Law, which is uncertain and based on assessments and intentions of the Company as of the date of the report. Company assessments may not materialize or partially materialize or in a different way than assessed by the Company.

The business strategy of the Company and its main targets for each line of business are as follows:

- Increasing sales in each insurance line of business
- Maximizing profit from all sources of income of the Company, while focusing on maximizing underwriting profit in each line of business separately.
- Providing expeditious and high-quality customer service
- Exercising business discipline in underwriting and investment operation
- Maintaining the strength of Company brand
- Focusing on customer retention
- Strict adherence to the values of the Company: trust, people, customer at the center, excellence, enthusiasm and simplicity.
- Balancing between the insurance lines of business without relying on any given line of business.
- Priority for investment in digital and automation.
- Constantly expanding the variety of digital personal services that is available to customers of the Company.
- Constantly exploring new means of distribution and new collaborations.
- Constant awareness to customer needs, and accordingly, developing new stand-alone and bundled products
- Control over the extent of Company expenses
- Improving operating efficiency of anything related to decision-support systems
- Commitment to ongoing improvement across the organization, in alignment with the strategy of the brand, “Doing It Better”.
- Careful compliance with regulation.
- Implementation of ESG policies and incorporation of ESG considerations in the business plan

## 5. Part E – Corporate governance information

### 5.1 Information about independent directors

As of the publication date of the report, the Company's Board of Directors has 6[2] directors, of which 3 are independent directors. In the reported period, the Board held 8 board meetings.

For information on the independent directors of the Company, see Regulation 26 of the Additional Information Report of the corporation.

### 5.2 Internal auditor

a. **Information about the internal auditor and beginning of service**:

The internal auditor of the Company is Mr. Thomas Lowe. Mr. Lowe is an accountant (holds a South African license) and has thirteen-year experience in the AIG corporation, including ten years of different rolls in the internal audit system of AIG and three years in financial positions in Europe. He began his services in this roll on September 1, 2013.

b. **Securities holding and conflict of interest**:

The internal auditor has no business relations with the Company or a related entity, other than being an employee of the Company. The internal auditor holds two ordinary shares in a related AIG company. This shareholding may not affect his work in any way.

c. **Work relations and additional roles:**

The internal auditor is a Company employee who has no other rolls outside the global AIG corporation. The internal auditor is assisted by two internal audit employees of the Company, and when necessary, uses external service providers and the internal audit resources of AIG.

d. **Scope of employment**:

The internal auditor' scope of employment is derived from the work plan approved by the Audit Committee and is subject to changes as a result of the business activity. In 2023, the internal auditor invested 3,770 hours in his work. In 2024, the scope of employment was set at 3,200 hours.

In addition to the internal audit performed by the internal auditor, periodic audits are performed by various divisions of the AIG corporation. Those audits mainly focus on the underwriting, financial, risk management and IT aspects.

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2 The Company is waiting to receive the Commissioner of the Capital Market's non-objection to an additional director in the Company.

e. **Compensation**:

The internal auditor is compensated by a monthly salary under a personal work contract, at amounts that reflect his position and responsibility. In 2022 and 2023, the compensation of the internal audit (fees and related expenses) was NIS 2.0 million. The board believes that the compensation of the internal auditor may not affect his professional judgment.

## 5.3 Independent auditors

The independent auditors of the Company are KPMG Somekh Chaikin Certified Public Accountant. The partner responsible for the internal audit services is Taly Bisker Avisar, CPA.

The date of the commencement of service as the Company's auditors is December 2017.

The following is the independent auditors' fee in NIS (excluding VAT) for services provided in 2022 and 2021:

| **2023** | **Fee for audit and tax services** | **Special tax services** | **Other services** | **Total** |
|---|---|---|---|---|
| NIS thousand | **1,942** | **32** | **8** | **1,982** |

| **2022** | **Fee for audit and tax services** | **Special tax services** | **Other services** | **Total** |
|---|---|---|---|---|
| NIS thousand | **1,381** | **5** | **53** | **1,440** |

5.4 **<u>Effectiveness of internal controls and the procedures over financial reporting and disclosure of the Company</u>**

**Controls and procedures related to disclosure:**
A financial institution management, in cooperation with CEO and CFO of that financial institution assessed as of the end of the reported period the effectiveness of the controls and procedures in relation to the disclosure of the financial institution. Based on this assessment, CEO and CFO of the financial institution concluded that as of the end of that period, the controls and procedures related to disclosure of the financial institution are effective in order to record, process, summarize and report the information that the financial institution is require to disclose in the annual financial statements according to the provisions of the law and the reporting requirements set by the Commissioner of Capital Markets, Insurance and Savings and on the times indicated in such regulations.

**Internal control over financial reporting:**
During the covered period ended December 31, 2023, no change has occurred in the internal control of the financial institutions over financial reporting that has had a material impact or is likely to have a material impact on the internal control of the financial institutions over financial reporting.

5.5 **The solvency regime <u>based on Solvency II</u>**

For details of the regulatory capital requirements applicable to the Company and the manner in which the Company complies with them, see Section 3 of the Directors' Report and Note 12 to the Financial Statements.

**AIG Israel Insurance Company Ltd**

| | |
|---|---|
| Thomas Lillelund<br>Chairman of the Board | Yfat Reiter<br>CEO |

March 19, 2024

## Chapter B: Directors Report of Company's Business
**for the Year Ended December 31, 2023**

**AIG Israel Insurance Company Ltd.**
**(“the Company”)**

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## Chapter B: Directors' Report

### 1. General

### Operating segments of the Company

The Company is an Israeli insurance company that operates in the following areas: compulsory vehicle insurance, property vehicle insurance, home insurance, commercial insurance, health insurance and life insurance (risk only). The primary activity of the Company is individual insurance, where it markets and sells policies directly to policyholders.

### Event or matter outside the ordinary course of Company's business

On October 7, 2023, a surprise attack was launched on Israel from the Gaza Strip by terrorist organizations. Consequently, the Government of Israel declared a state of war - "Swords of Iron", which initially focused primarily on fighting the Hamas terrorist organization in Southern Israel and in the Gaza Strip, but was later followed by an escalation of the security situation on Israel's northern border with Lebanon. Various actions were taken in response, including a nationwide recruitment of reserves and the publication by the Home Front Command of a policy for population defense and emergency work directives. The special situation at the Homefront is extended from time to time, and to the date of approval of the financial statements is effective until March 21, 2024. Consequently, many of the employees in Israel were recruited for reserve duty or were instructed to work remotely, and work is performed in limited format and subject to special conditions, in conformity with the state of emergency declared and the population defense policy prescribed by the Home Front Command. In addition, towns adjacent to the border with the Gaza Strip were evacuated, followed by the evacuation of towns in northern Israel as a result of the escalation on the northern front ("**War Event**"). These actions reduced the economic activity in Israel in October and November 2023, adding to the geopolitical instability that ensued from the War Event and the geopolitical unrest in the Red Sea. Commencing in December 2023, economic activity was gradually and partially resumed, with the exception of the Gaza Envelope and the areas adjacent to Israel's northern border, due to the ongoing fights in Gaza and the escalation on the northern front, respectively. In February 2023, Moody's announced the downgrading of the State of Israel's credit rating from A1 to A2 and the downgrading of the outlook to negative. In its announcement, the rating agency stated that one of the reasons for the downgrading of the rating is the uncertainty as to the duration and outcome of the war, and explained that its decision to change the outlook to negative is due to the uncertainty surrounding the spreading of the war to the northern front.

Consequently, the Company made preparations to ensure its continued orderly operation as regarding the meeting of obligations to its customers and the adjustment of all aspects of its operations. The war affects the Company in several aspects:

#### a. Business continuity

The Company took the necessary actions and continues to provide its services in full to all clients in all operating segments, and has even activated a business continuity remote work plan, including support for the employees. It is hereby clarified that, since December 2023, the Company maintains full functionality, with most of the employees working from the offices of the Company.

**b. Results of the insurance underwriting activity**

The War Event had some impact on the sales of the Company, primarily during October and mainly in the health insurance and life insurance sectors. Nevertheless, the War Event did not materially affect the premiums of the Company, with the exception of overseas travel premiums in the health insurance sector, where the reduction in overseas travel by Israelis due to the War Event lead to a decrease in purchases of overseas travel insurance policies, resulting in reduced premiums.

Most of the policies marketed by the Company do not cover property damage caused by war. Accordingly, most of the claims of the Company relating to the War are in life insurance and health insurance (mainly personal accidents). In life and health insurance, the Company exceeded the thresholds prescribed in reinsurance contracts for catastrophes, resulting in the activation of indemnification from reinsurers in those contracts. The impact of the War Event on the gross results of the health insurance sector amounts to NIS 4.1 million (NIS 1.1 million in retention). The impact of the War Event on the gross results of the life insurance sector amounts to NIS 6.8 million (NIS 5.1 million in retention). Claim levels at the Company in the other insurance sectors in which the Company operates were not materially affected by the War Event in 2023.

As stated above, property damages resulting from a war event are not covered by property insurance policies, hence the total exposure to claims in relation to the war is not expected to be material. In addition, most of the damages caused to property and businesses as a result of the War Event are covered by the Compensation Fund (Property Tax). Nevertheless, the Company has decided to fully rescind the November 2023 payment of premiums in vehicle insurance, including compulsory vehicle insurance, comprehensive insurance and third-party insurance, for policy holders of the Company residing in the Gaza Envelope and Sderot. The aforesaid payment cancellation applies to existing and renewing customers and is effected automatically, without any action being required on the part of the customers.

**c. Losses on investments**

As part of its activity, the Company is exposed to price drops on the financial markets and to changes in the interest curves. Nevertheless, the Company incurred no losses on investments in 2023 as a result of the War Event. For information on the impact of developments in the Company's macroeconomic environment, see section 2.

As to moves initiated by the Company in response to the War Event, see section 9b.

The assessments of the Company regarding the effects of the war on its business constitute forward-looking information, within its definition in the Securities Law, 1968, which is based, inter alia, on information that is in the possession of the Company to date as well as on the directives of the relevant authorities and the actions initiated by them. There is uncertainty as to the duration, scope and nature of the war as well as in relation to regulatory decisions that could affect the Company. Accordingly, those assessments may not be realized or may be realized partially or in a manner that materially differs from the aforesaid, this, inter alia, due to the significant uncertainty surrounding the scope of the war and its duration, its effect on the Israeli economy, including the insurance sectors in which the Company operates, and/or as a result of factors that are not in the control of the Company, including regulatory decisions that could affect the Company. The Company continues to study the effects of the economic situation and the war on its business activity.

## 2. Description of the business environment

### Trends and developments in the operating segments and their impact on the Company's business and on the financial statements

### General

In accordance with data published by the Capital Market, Insurance and Savings Authority, ("**the Authority**") more than 15 insurance companies operate in Israel; most of these companies are engaged in general insurance. In accordance with this data, as at September 30, 2023, insurance premiums arising from the general insurance business amounted to NIS 24,788 million; the share of the 5 largest insurance companies – Harel, Phoenix, Clal, Menorah and Ayalon – amounted to NIS 14,605 million, which constituted 59% of the total premiums in the Israeli general insurance sectors.

For further details regarding the competition in the different operating segments of the Company and regarding the measures taken by the Company to compete 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 the Company's Business) of the periodic report.

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

The economic activity in Israel in 2023 was overshadowed by two material internal events: 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, as well uncertainty as to its economic implications ("**the Plan**"). International rating agencies downgraded the State of Israel's rating outlook, maintaining the rating itself, due to their concerns that the political developments in Israel surrounding the Plan and its implementation have increased the risk of damage to Israel's economic and financial standing, as well as in view of the uncertainty as to the potential impact of the Plan on the State of Israel's financial strength.

The second event is the War Event. The war created uncertainty that resulted in sharp price drops on the financial markets, high volatility and reduced liquidity in trading, concurrently with a significant devaluation of the shekel in relation to principal currencies. On the real level, the war increased the Government's expenditure, reduced the State's tax revenue and increased the national budget deficit, alongside a decrease in demands, current consumption and investments. For information on the immediate implications of the war, see section 2 to the Board of Directors' Report for the period ended September 30, 2023. Close to the end of 2023, the economy started to recover, with a rise in private consumption and the labor force participation rate. In addition, actions taken by the Bank of Israel (e.g. intervening in the currency market and providing liquidity to the market, reduction of the interest rate, formulation of a plan for the deferral of debt repayments by individuals directly affected by the war, and extension of low-interest monetary loans, as described below) and the Government's aid programs for the war victims, helped mitigate the adverse effects and stabilize the markets. Nevertheless, there is still uncertainty as to the nature, duration and intensity of the future implications of the war on the economy and as to the nature of the additional economic challenges that may ensue if the war is prolonged or increases in intensity.
In 2023, the Bank of Israel interest rate was raised several times, up to a record rate of 4.75%. In January 2024, the Bank of Israel decided on a 0.25% reduction of the interest rate, and in

February 2024 the Bank decided to maintain the interest rate. Accordingly, to the date of the report, the interest rate is 4.5%. In 2023, GDP grew by 2% compared to 2022[1], the inflation rate reached 3%[2], and the broad unemployment rate[3] reached 6.1%[4] in December 2023. According to the most recent forecast published by the Bank of Israel,[3] GDP is expected to grow by 2% in each of the years 2023-2024, the inflation rate in 2024 and 2025 is expected to reach 2.4% and 2%, respectively (i.e. a downward trend diverging from the rising inflation that characterized the past two years) and the rate of unemployment in the working-age population (25-64) in 2024 and 2025 is expected to average 5.3% and 3.2%, respectively. The monetary interest rate is expected to average 4% in the fourth quarter of 2024 and the rate of inflation in 2024 is expected to reach 3%. The Bank of Israel's forecast is characterized by very high uncertainty - among others due to the uncertainty as to the duration and scope of the war.

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.

The following are data on the changes in the indexes of marketable securities on the stock exchange:

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| **Government-bond indexes:** | | | |
| General government bonds | 0.6% | (9.3%) | 2.3% |
| Linked government bonds | (0.5%) | (9.8%) | 7.4% |
| NIS government bonds | 1.4% | (8.8%) | (0.8%) |
| **Corporate-bond indexes:** | | | |
| Tel Bond 60 | 5.2% | (8.9%) | 7.8% |
| Tel Bond NIS | 5.2% | (7.0%) | 3.0% |
| **Share indexes -** | | | |
| Tel-Aviv 125 | 4.8% | (11.8%) | 31.1% |
| S&P 500 | 24.2% | (19.4%) | 27.2% |

Despite the positive macroeconomic indicators up to the break-out of the war (continued substantial positive growth, Israel's high credit rating, curbing of the inflation), TASE's equity indices underperformed their leading international counterparts in 2023, IPOs came to a halt and investments were diverted from the local market to international markets, this on the backdrop of the War Event and the implications of the announcement on the implementation of the Plan (as defined above) and as a result of the high-interest environment.

1 The change is net of seasonality, at market prices. Source: The Central Bureau of Statistics, National Accounts: Third Estimate for the Third Quarter of 2023, January 16, 2024.

2 Central Bureau of Statistics, "Consumer Price Indices - December 2023 and Summary for 2023", from January 2024.

3 The broad unemployment rate includes, in addition to individuals falling under the ordinary definition of unemployed, individuals who are temporarily absent due to economic reasons. The definition of broad unemployment rate does not include workers who have been absent from work for non-economic reasons, such as reserve duty, childcare due to shutdown of schools and more.

4 According to the resolution of the Bank of Israel's Monetary Committee from February 26, 2024.

[3] The macroeconomic forecast of the Research Division from January 1, 2024.

On August 1, 2023, the rating firm, Fitch, announced the downgrading of the United States from AAA to AA+ with a stable outlook, which, in the opinion of the rating firm, reflects the expected fiscal deterioration over the next three years, accompanied by a high and growing general government debt burden in the United States, and the erosion of governance. The downgrading reflects an increase in the risk associated with the United States and could therefore, inter alia, increase the yields on the U.S. long-term bonds, this further to the ongoing increase in the yields on U.S. bonds since the second half of 2020 and the interest rate increases in the United States. The Company does not invest in U.S. bonds and therefore this has no bearing on the results of the Company.

For details regarding the composition of the Company's investments, see Notes 10 and 27 to the financial statements.

For details regarding general trends in the insurance sector and their effect on the Company's business, see Section 4.3 in Chapter A (Description of the Company's B) of the periodic report.

## 3. Financial information regarding the Company's operating segments

**The following are principal data on comprehensive income (in thousands of NIS):**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| | | | |
| Gross premiums earned | 1,543,455 | 1,312,434 | 1,176,114 |
| Premiums earned by reinsurers | 245,036 | (211,375) | (190,246) |
| Premiums earned – retained amount | 1,298,419 | 1,101,059 | 985,868 |
| Gains (losses) on investments, net, and financing income | 113,716 | (77,993) | 74,039 |
| Income from commissions | 56,028 | 54,767 | 50,378 |
| Total income | 1,468,163 | 1,077,833 | 1,110,285 |
| Payments and changes in liabilities in respect of insurance contracts – gross | (1,118,143) | (932,241) | (880,135) |
| Share of reinsurers in increase in insurance liabilities and payments with respect to insurance contracts | 143,524 | 44,487 | 142,655 |
| Payments and changes in liabilities in respect of insurance contracts – retained amount | (974,619) | (887,754) | (737,480) |
| Total other expenses | (384,420) | (337,625) | (315,876) |
| **Profit (loss) before taxes on income** | **109,124** | **(147,546)** | **56,929** |
| Taxes on income | 37,788 | 49,288 | (19,784) |
| **Profit (loss) for the year and total comprehensive income for the year** | **71,336** | **(98,258)** | **37,145** |

## Chapter B: Directors' Report

The following are principal balance-sheet data (in thousands of NIS):

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | | |
| Other assets | 490,190 | 534,724 |
| Deferred acquisition costs | 201,967 | 184,697 |
| Financial investments and cash | 2,381,308 | 2,052,276 |
| Reinsurance assets | 761,368 | 711,756 |
| **Total assets** | **3,834,833** | **3,483,453** |
| Equity | 866,204 | 794,868 |
| Liabilities in respect of insurance contracts | 2,500,045 | 2,261,044 |
| Other liabilities | 468,584 | 427,541 |
| **Total equity and liabilities** | **3,834,833** | **3,483,453** |

### Equity and capital requirements

As at December 31, 2023, equity amounted to NIS 866.2 million, as compared to NIS 794.9 million as at December 31, 2022. The change in equity in 2023 is due to a comprehensive income of NIS 71.3 million for the year.

### Solvency-II-based economic solvency regime of an insurance company

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 attached to the 2020 periodic report.

On November 21, 2023, in accordance with the directives of the Commissioner, the Company published the economic solvency ratio report for the June 30, 2023 data on its website.

Presented below are data concerning solvency ratio and MCR:

A. Solvency Ratio (in thousands of NIS)

| | June 30, | December 31, |
|---|---|---|
| | 2023 | 2022 |
| Equity for the purpose of solvency capital requirement (SCR) | 895,538 | 880,968 |
| Solvency capital requirement | 643,771 | 669,625 |
| **Surplus** | **251,767** | **211,343** |
| Economic solvency ratio (percentage) | 139% | 132% |

No equity transactions took place after the date of the report that affected the Company's economic solvency ratio. As to the War Event that took place after the reporting date, see explanation in the economic solvency ratio report as of June 30, 2023. The Company believes that in the coming year it would not be required to raise sources for compliance with the statutory solvency ratio and with the solvency ratio target set by the Board of Directors of the Company.

B. Minimum capital requirement (MCR) (in thousands of NIS):

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| MCR | 251,424 | 233,895 |
| Equity for the purpose of MCR | 895,538 | 880,968 |

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

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Own funds for SCR purposes | 895,538 | 880,968 |
| SCR | 718,714 | 746,947 |
| **Surplus** | **176,824** | **134,021** |
| Economic Solvency Ratio (%) | 125% | 118% |
| **Surplus (deficiency) in relation to the Board's target:** | | |
| Target solvency ratio of the Board (%) | 130% | 130% |
| **Surplus in relation to the target** | **(38,790)** | **(90,063)** |

The calculation performed by the Company, as above, as of June 30, 2023 has been reviewed by the independent auditors of the Company in accordance with the principles of ISAE 3000 - Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The calculation performed by the Company as at December 31, 2022 has been audited by the auditors of the Company in accordance with Standard ISAE 3400. For additional information the solvency ratio, see the Company's website: https://www.aig.co.il/about/repayment-ratio.

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

## 4. Results of operations

In 2023, the Company continued to increase the volume of gross premiums, which grew by 19.5% over their volume in 2022. The Company's total gross premiums amounted to NIS 1,650 million in 2023, as compared to NIS 1,380 million in 2022. Most of the increase in gross premiums stems from the vehicle property insurance, compulsory vehicle insurance and home insurance sectors.

The Company's total premiums in retention amounted to NIS 1,404 million in 2023, as compared to NIS 1,160 million in 2022, an increase of 21.0%. Most of the increase in premiums in retention stems from the vehicle property insurance and compulsory vehicle insurance sectors.

The following are principal data regarding premiums by principal operating segments (in thousands of NIS):

| | Vehicle property insurance | Compulsory vehicle insurance | Home insurance | Health insurance | Commercial insurance | Life insurance | Total |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| Gross premiums | 693,630 | 262,348 | 160,263 | 185,922 | 185,464 | 162,323 | 1,649,950 |
| Premiums – retained amount | 693,630 | 258,800 | 128,323 | 182,220 | 12,058 | 128,474 | 1,403,505 |
| Total gross as % of total | 42.1 | 15.9 | 9.7 | 11.3 | 11.2 | 9.8 | 100.0 |
| Total retained as % of total | 49.4 | 18.4 | 9.1 | 13.0 | 0.9 | 9.2 | 100.0 |
| **2022** | | | | | | | |
| Gross premiums | 497,661 | 230,827 | 145,743 | 174,710 | 175,275 | 156,125 | 1,380,341 |
| Premiums – retained amount | 497,661 | 227,698 | 126,980 | 171,560 | 11,936 | 124,215 | 1,160,050 |
| Total gross as % of total | 36.1 | 16.7 | 10.6 | 12.7 | 12.6 | 11.3 | 100.0 |
| Total retained as % of total | 42.9 | 19.6 | 11.0 | 14.8 | 1.0 | 10.7 | 100.0 |
| **2021** | | | | | | | |
| Gross premiums | 421,221 | 209,874 | 135,374 | 143,133 | 168,162 | 150,095 | 1,227,859 |
| Premiums – retained amount | 421,221 | 206,996 | 121,446 | 140,416 | 11,925 | 120,969 | 1,022,973 |
| Total gross as % of total | 34.3 | 17.1 | 11.0 | 11.7 | 13.7 | 12.2 | 100.0 |
| Total retained as % of total | 41.2 | 20.2 | 11.9 | 13.7 | 1.2 | 11.8 | 100.0 |

## Chapter B: Directors Report

**The following are principal comprehensive income data by principal operating segments (in thousands of NIS):**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Loss from vehicle property insurance | (4,158) | (151,282) | (18,419) |
| Profit (loss) from compulsory vehicle insurance | 14,285 | 10,054 | (48,246) |
| Profit from home insurance | 4,196 | 2,274 | 41,244 |
| Profit from commercial insurance | 12,751 | 784 | 13,591 |
| Profit from health insurance | 8,542 | 24 | 16,021 |
| Profit from life insurance | 17,809 | 8,872 | 16,466 |
| Other – income (loss) not allocated to insurance segments | 55,699 | (18,272) | 36,272 |
| **Profit (loss) before tax** | **109,124** | **(147,546)** | **56,929** |
| Taxes on income | (37,788) | 49,288 | (19,784) |
| **Profit (loss) for the year and total comprehensive income (loss) for the year** | **71,336** | **(98,258)** | **37,145** |

For additional data by main sectors, see Note 4 to the financial statements.

The following are the explanations of the Company's Board of Directors regarding the development of some of the data presented above:

a. The comprehensive income of the Company in 2023 amounted to NIS 71.3 million, as compared to a loss of NIS 98.3 million in 2022. Pre-tax profit amounted to NIS 109.1 million in 2023, as compared to a loss of NIS 147.5 million in 2022. The main contributors to the profit in 2023 are investment gains of NIS 113.7 million, net of an underwriting loss of NIS 4.6 million. The Company’s underwriting loss in 2022 totaled NIS 81.3 million. The decrease in the underwriting loss in 2023 was due mainly to a significant reduction in underwriting losses in the vehicle property insurance sector.

b. Net investment gains amounted to NIS 113.7 million in 2023, as compared to investment losses of NIS 78.0 million in 2022. The transition from losses on investments in 2022 to gains on investments in 2023 is due to rises in the prices of corporate bonds and equity indices in 2023, as compared to sharp price drops on the Israeli capital market and in global financial markets in 2022. (See section 2 above).

c. The Company’s loss from vehicle property insurance in 2023 was NIS 4.2 million, as compared to a loss of NIS 151.3 million in 2022. The underwriting loss of the Company from vehicle property insurance in 2023 was NIS 18.0 million, as compared to a loss of NIS 144.4 million in 2022. The improvement in the underwriting results in 2023 is 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. Following the improvement in the underwriting results during the year, in 2023 the Company released NIS 18.9 million from the provision for premium deficiency. At the reporting date, the provision totaled NIS 27 million.

d. The Company's profit from compulsory vehicle insurance amounted to NIS 14.3 million in 2023, as compared to a profit of NIS 10.1 million in 2022. The increase in profit is due to the significant increase in investment gains. In opposition, the increase in the interest curve in 2022 reduced the insurance liabilities by NIS 75.3 million, whereas in 2023 the increase in the interest curve reduced the insurance liabilities by NIS 9.6 million. Pooling losses, excluding the effect of the interest curve, amounted to NIS 12.1 million in 2023, as compared to NIS 17.3 million in 2022.

e. The profit of the Company from home insurance in 2023 amounted to NIS 4.2 million, as compared to profit of NIS 2.3 million in 2022. The increased profit was due to higher gains on investments. The underwriting loss of the Company from home insurance totaled NIS 0.2 million in the reporting year, as compared to an underwriting profit of NIS 4.3 million in 2022. The transition to underwriting loss in the reporting year was also due to the increase in the claims' ratio and expenses' ratio as a result of the expansion of the earthquake coverage and the reduction in the retention ratio.

f. The profit of the Company from health insurance in 2023 was NIS 8.5 million, as compared to profit of NIS 0.0 million in 2022. The higher profit is due mainly to an increase in the investment gains as well as to an increase in the underwriting profit. The underwriting profit from health insurance amounted to NIS 4.9 million in 2023, as compared to a profit of NIS 3.1 million in 2022. The increase in the underwriting profit in 2023 is due mainly to the improved expenses' ratio. This, despite the effect of the War Event on the health insurance sector in 2023 (see section 1b. above).

g. The profit of the Company from life insurance in 2023 was NIS 17.8 million, as compared to profit of NIS 8.9 million in 2022. The higher profit was due mainly to a significant reduction in the claims' ratio, despite the effects of the War Event on the life insurance sector in 2023 (see section 1b. above).

h. The profit of the Company from professional liability insurance in 2023 was NIS 8.9 million, as compared to profit of NIS 0.8 million in 2022. The higher profit in 2023 was due mainly to the significant increase in investment gains, which was offset by a reduction in the underwriting profit as a result of the increase in the claims' ratio, this in addition to the significant increase in the interest curve in 2022 that significantly reduced the insurance liabilities in that year.

i. The profit of the Company from other property insurance in 2023 was NIS 1.5 million, as compared to a loss of NIS 0.1 million in 2022. The higher profit in 2023 was due mainly to the increase in investment gains.

j. The profit of the Company from other liability insurance in 2023 was NIS 2.3 million, as compared to profit of NIS 0.1 million in 2022. The higher profit in 2023 was due mainly to the increase in investment gains. Nevertheless, this increase was offset by a reduction in the underwriting profit in 2023 as a result of the significant increase in the interest curve in 2022 that significantly reduce the insurance liabilities in that year.

**The following are the results of operations in the property insurance sectors:**

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Vehicle property | (18,016) | (144,368) | (25,548) |
| Home insurance | (249) | 4,333 | 37,580 |
| Other property sectors | 903 | 414 | 1,723 |

**b. Principal data regarding the claims' ratio[1] (Loss Ratio "LR")[5] and the claims' and expenses' ratio (Combined Ratio "CR"):**

| | 2023 | | 2022 | | 2021 | |
|---|---|---|---|---|---|---|
| | LR% | CR% | LR% | CR% | LR% | CR% |
| **Property vehicle insurance:** | | | | | | |
| Gross | 83% | 103% | 111% | 132% | 85% | 106% |
| In retention | 83% | 103% | 111% | 132% | 85% | 106% |
| **Property[6]:** | | | | | | |
| Gross | 45% | 75% | 52% | 81% | 33% | 63% |
| In retention | 59% | 99% | 59% | 96% | 32% | 67% |

5 As to gross data, the loss ratio and expenses ratio are computed on the basis of gross premiums earned. With regard to retained amounts data, the claims ratio and the expenses ratio are computed on the basis of premiums earned in retention.

6 Home and other property sectors.

## 5. Cash flow and liquidity

Net cash provided by operating activities in 2023 amounted to NIS 138.4 million, as compared to NIS 1.9 million used in operating activities in 2022.

Net cash used in investing activities in 2023 amounted to NIS 25.7 million, as compared to NIS 19.1 million in 2022.

Net cash used in financing activities in the Company in 2023 amounted to NIS 5.6 million, as compared to NIS 5.5 million in 2022.

As a result of the above, the balance of cash and cash equivalents in the reporting period increased by NIS 107.9 million and amounted to NIS 143.6 million as at December 31, 2023.

## 6. Sources of funding

All of the Company's operations are funded with its own resources and equity. The Company does not use external funding sources.

## 7. The Company's business strategy and its main objectives

For details of the Company's business strategy and its main objectives, see Section 4.14 in Chapter A (Description of the Company's Business) of the periodic report.

## 8. Material events subsequent to the financial statements date

1. Mr. Thomas Lillelund was appointed Chairman of the Board of Directors of the Company commencing on January 1, 2024, in place of Mr. Edward Levin, who stepped down on the same date.

2. In March 2024, the Knesset passed the Value Added Tax Order (Tax Rate Applicable to Non-Profit Organizations and Financial Institutions) (Amendment), 2024 (hereinafter – the Order"), which determines that, commencing on January 1, 2025, the wages tax and the profit tax payable on Israeli operations of a financial institutions will be 18% of the wages paid and the profit derived by the financial institution, superseding the current 17% rate.

   The balances of deferred taxes included in the Company's financial statements as of December 31, 2023 are calculated based on the tax rates that are in effect at the reporting date and do not take into account the effects that will ensue from the aforesaid raising of the tax rate. Those effects will be included in the financial statements for periods commencing on the date of substantive enactment of the Order – i.e., commencing in the financial statements for the first quarter of 2024.

   In the assessment of management of the Company, the raising of the tax rate, as above, will increase the balance of tax liabilities as of January 1, 2024 by NIS 80 thousand, which will be carried to profit or loss in the financial statements for the first quarter of 2024.

## 9. ESG aspects

### a. General

The Board of Directors and management of the Company prioritize the incorporation of ESG considerations in its business plan and pursue the integration of processes for their advancement. In 2023, the Board of Directors of the Company approved, for the first time, the strategic focal points for ESG activity and formulated a detailed workplan for their implementation.

The Company chose to focus on strategic ESG aspects that are pertinent to the business environment in Israel and aligned with AIG's global strategy in this field.

The strategic focal points of the Company include the following areas: innovation and digitalization and continuous improvement of service, fair marketing and improved customer experience, promotion of environmentally positive products and services, employee development, diversity and inclusion, implementation of a social strategy, incorporating ESG considerations into the procurement policy and the investment policy.

The Company has set long-term targets and goals based on the selected strategic focal points and incorporated them into the annual work plan. Management of the Company will continue to closely monitor and supervise the implementation of the annual work plan and has established a dedicated management forum to this end.

In 2023, the Company participated for the first time in the Maala rating and was awarded a "Gold" rating that reflects its ESG achievements. The Company aims to continue improving its ESG performance.

The Company intends to publish its first ESG report for the years 2022-2023, which has been drawn up in accordance with GRI and that will be posted on the Company's website. The reports will be published every two years.

**b. Moves initiated by the Company in response to the War Event**

At the outset of the war, in October 2023, the Company granted various benefits to its customers and initiated several aid efforts for the general public. Most notably, the Company rescinded the November payment in vehicle insurance policies (property and compulsory) for existing and renewing customers residing in the Gaza Envelope, granted exemptions and special services to evacuated families and to the families of the hostages, and provided policy holders access to essential information on the digital assets and social media.

Realizing the public's acute mental distress, the Company decided to utilize its resources in the field of mental healthcare. For this purpose, the Company established the "Emotional Safe Room", providing readily available professional mental health counseling to the general public. The services, available within 24 hours of application, were offered free of charge to all. For this initiative, the Company was awarded the innovation reward of the Israeli Marketing Association for the final quarter of 2023.

The Company also produced a series of dedicated videos for parents and children, offering practical coping tools by family coach, Efrat Leket.

In addition, the Company helped raise significant monetary donations towards housing for evacuated families, made a donation to The Joint towards the purchase and supply of first-aid equipment to the local authorities and to the defense rapid response teams in Northern and Southern Israel, and provided monetary assistance to the Hostages and Missing Families Forum. In addition, the employees of the Company volunteered in various initiatives for assistance to families from Southern Israel.

In February, marking 100 days of captivity and Family Day, the Company aired television campaigns calling to bring the hostages home now.

The Company provided comprehensive support to its employees, including financial assistance, emotional support services, funding of hotels for employees from evacuated areas, and support for families of soldiers and reservists who are employees of the Company.

| | |
|---|---|
| Thomas Lillelund | Yfat Reiter |
| Chairman of the Board | CEO |

March 19, 2024

# Certification

I, Yifat Reiter, certify that:

1. I have reviewed the annual report of AIG Israel Insurance Company Ltd. (hereinafter: "the Insurance Company") for 2023 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to represent a material fact necessary to make the representations made therein, in light of the circumstances under which such representations were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included in the Report fairly reflect, in all material respects, the financial position, results of operations, changes in equity and cash flows of the Insurance Company as at the dates and for the periods covered by the Report.
4. I and other persons in the Insurance Company making this certification are responsible for establishing and maintaining disclosure[1] controls and procedures and internal control over the financial reporting[1] of an Insurance Company, and have -
   (a) established such controls and procedures, or caused such controls and procedures to be established under our supervision, to ensure that material information relating to the Insurance Company is made known to us by others within the Insurance Company, particularly during the period of preparing the Report;
   (b) established internal control over financial reporting, or supervised the establishment of internal control over financial reporting, to provide a reasonable degree of assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings, in conformity with the Supervision of Financial Services Laws (Insurance), 1981.
   (c) evaluated the effectiveness of the Insurance Company's disclosure controls and procedures and presented our conclusions regarding the effectiveness of the

[1] As defined in Public Institutions' Circular, Internal Control over Financial Reporting - Certifications, Reports and Disclosures.

disclosure controls and procedures, as at the end of the period covered by the Report based on such evaluation; and

(d) disclosed in the Report any change in the Insurance Company's internal control over financial reporting that occurred this quarter that has materially affected, or is reasonably likely to materially affect, the Insurance Company's internal control over financial reporting; and

5. I and other persons in the Insurance Company making this certification have disclosed to the Insurance Company's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors of the Insurance Company, based on our most recent evaluation of internal control over financial reporting:

(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 or not material, that involves management or other employees who have a significant role in the Insurance Company's internal control over financial reporting.

Nothing in the stated above detracts from my responsibility or from the responsibility of any other person under any law.

Yfat Reiter - CEO

March 19, 2024

# Certification

I, Usher Gray, certify that:

1. I have reviewed the annual report of AIG Israel Insurance Company Ltd. (hereinafter: "the Insurance Company") for 2023 (hereinafter: "the Report").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact or omit to represent a material fact necessary to make the representations made therein, in light of the circumstances under which such representations were made, not misleading with respect to the period covered by the Report.
3. Based on my knowledge, the financial statements and other financial information included in the Report fairly reflect, in all material respects, the financial position, results of operations, changes in equity and cash flows of the Insurance Company as at the dates and for the periods covered by the Report.
4. I and other persons in the Insurance Company making this certification are responsible for establishing and maintaining disclosure[1] controls and procedures and internal control over the financial reporting[1] of an Insurance Company, and have -
   (a) established such controls and procedures, or caused such controls and procedures to be established under our supervision, to ensure that material information relating to the Insurance Company is made known to us by others within the Insurance Company, particularly during the period of preparing the Report;
   (b) established internal control over financial reporting, or supervised the establishment of internal control over financial reporting, to provide a reasonable degree of assurance regarding the reliability of the financial reporting and the preparation of the financial statements in accordance with the requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings, in conformity with the Supervision of Financial Services Laws (Insurance), 1981.
   (c) evaluated the effectiveness of the Insurance Company's disclosure controls and procedures and presented our conclusions regarding the effectiveness of the

[1] As defined in Public Institutions' Circular, Internal Control over Financial Reporting - Certifications, Reports and Disclosures.

disclosure controls and procedures, as at the end of the period covered by the Report based on such evaluation; and

(d) disclosed in the Report any change in the Insurance Company's internal control over financial reporting that occurred this quarter that has materially affected, or is reasonably likely to materially affect, the Insurance Company's internal control over financial reporting; and

5. I and other persons in the Insurance Company making this certification have disclosed to the Insurance Company's Auditors, to the Board of Directors and to the Audit Committee of the Board of Directors of the Insurance Company, based on our most recent evaluation of internal control over financial reporting:

(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 or not material, that involves management or other employees who have a significant role in the Insurance Company's internal control over financial reporting.

Nothing in the stated above detracts from my responsibility or from the responsibility of any other person under any law.

Usher Gray - CFO

March 19, 2024

## Report of the Board of Directors and Management on the Internal Control over Financial Reporting

Management, under the supervision of the Board of Directors of AIG Israel Insurance Company Ltd. (hereinafter: "the Insurance Company"), is responsible for setting and maintaining proper internal control over financial reporting. The Insurance Company's internal control system has been designed to provide a reasonable degree of assurance to the Board of Directors and management of the Insurance Company as to the proper preparation and presentation of financial statements that are published in accordance with the requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings in conformity with the Supervision of Financial Services (Insurance) Law, 1981. Regardless of the quality of their level of design, all internal control systems have inherent limitations. Therefore, even if these systems are determined to be effective, they can only provide a reasonable degree of assurance regarding the preparation and presentation of a financial report.

Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls that is intended to ensure that transactions are made in accordance with Management authorizations, assets are protected and the accounting records are reliable. In addition, Management, under the supervision of the Board of Directors, takes the necessary actions to ensure that the information and communication channels are effective and monitor performance, including the performance of internal control procedures.

Management of the Insurance Company, under the supervision of the Board of Directors, assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2023, based on criteria set forth in the Internal Control Model of the "Committee of Sponsoring Organizations of the Treadway Commission (COSO)". Based on that assessment, Management believes that as at December 31, 2023, the Insurance Company's internal control over financial reporting is effective.

| **Usher Gray**<br>**CFO** | **Yifat Reiter**<br>**CEO** | **Thomas Lillelund**<br>**Chairman of the Board of Directors** |
|---|---|---|

Date of approval of the report: March 19, 2024

This translation is for convenience purposes only.

# AIG ISRAEL INSURANCE COMPANY LTD.

FINANCIAL STATEMENTS FOR 2023

**AIG ISRAEL INSURANCE COMPANY LTD.**

FINANCIAL STATEMENTS FOR 2023

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**AIG ISRAEL INSURANCE COMPANY LTD.**

STATEMENTS OF FINANCIAL POSITION

| | Note | As at December 31 2023 | 2022 |
|---|---|---|---|
| | | NIS in thousands | |
| **Assets** | | | |
| Intangible assets | 5 | **29,623** | 26,625 |
| Deferred acquisition costs | 6 | **201,967** | 184,697 |
| Property and equipment | 7 | **18,623** | 23,580 |
| Reinsurance assets | 13 | **761,368** | 711,756 |
| Premiums collectible | 9 | **301,932** | 239,085 |
| Current tax assets | | **72,696** | 139,712 |
| Deferred tax assets, net | 18 | **-** | 26,942 |
| Other accounts receivable | 8 | **67,316** | 78,780 |
| | | **1,453,525** | 1,431,177 |
| Financial investments: | 10 | | |
| Marketable debt instruments | | **1,989,353** | 1,817,997 |
| Non-marketable debt instruments | | **116,969** | 93,244 |
| Other | | **131,371** | 105,314 |
| **TOTAL FINANCIAL INVESTMENTS** | | **2,237,693** | 2,016,555 |
| Cash and cash equivalents | 11 | **143,615** | 35,721 |
| **TOTAL ASSETS** | | **3,834,833** | 3,483,453 |

| **Thomas Lillelund** | **Yfat Reiter** | **Usher Gray** |
|---|---|---|
| **Chairman of the Board** | **C.E.O** | **C.F.O** |

Date of approval of financial statements by Board of Directors March 19, 2024.

**The accompanying notes are an integral part of the financial statements.**

**AIG ISRAEL INSURANCE COMPANY LTD.**

STATEMENTS OF FINANCIAL POSITION

| | Note | As at December 31 2023 | As at December 31 2022 |
|---|---|---|---|
| | | NIS in thousands | |
| **Equity and liabilities** | | | |
| **EQUITY:** | 12 | | |
| Share capital | | **6** | 6 |
| Share premium | | **250,601** | 250,601 |
| Other capital reserves | | **15,708** | 15,708 |
| Retained earnings | | **599,889** | 528,553 |
| **TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY** | | **866,204** | 794,868 |
| **LIABILITIES:** | | | |
| Liabilities with respect to non-profit-participating insurance contracts | 13 | **2,500,045** | 2,261,044 |
| Liabilities with respect to deferred taxes, net | 18 | **4,501** | - |
| Liabilities with respect to employee benefits, net | 29 | **2,830** | 3,659 |
| Liabilities towards reinsurers | 30 | **312,346** | 279,493 |
| Other accounts payable | 19 | **148,907** | 144,389 |
| **TOTAL LIABILITIES** | | **2,968,629** | 2,688,585 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,834,833** | 3,483,453 |

**The accompanying notes are an integral part of the financial statements.**

**AIG ISRAEL INSURANCE COMPANY LTD.**

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Year ended December 31 | | |
|---|---|---|---|---|
| | | **2023** | **2022** | **2021** |
| | | NIS in thousands | | |
| Gross premiums earned | 20 | **1,543,455** | 1,312,434 | 1,176,114 |
| Premiums earned by reinsurers | 20 | **(245,036)** | (211,375) | (190,246) |
| Premiums earned in retention | 20 | **1,298,419** | 1,101,059 | 985,868 |
| Gains (losses) on investments, net, and financing income | 21 | **113,716** | (77,993) | 74,039 |
| Commission income | 22 | **56,028** | 54,767 | 50,378 |
| **TOTAL INCOME** | | **1,468,163** | 1,077,833 | 1,110,285 |
| Payments and changes in liabilities with respect to insurance contracts, gross | | **(1,118,143)** | (932,241) | (880,135) |
| Share of reinsurers in increase in insurance liabilities and payments with respect to insurance contracts | | **143,524** | 44,487 | 142,655 |
| Payments and changes in liabilities with respect to insurance contracts, in retention | 23 | **(974,619)** | (887,754) | (737,480) |
| Commissions, marketing expenses and other acquisition costs | 24 | **(292,652)** | (263,759) | (239,583) |
| General and administrative expenses | 25 | **(93,764)** | (85,615) | (78,860) |
| Financing income, net | 26 | **1,996** | 11,749 | 2,567 |
| **TOTAL EXPENSES** | | **(1,359,039)** | (1,225,379) | (1,053,356) |
| **INCOME (LOSS) BEFORE TAXES ON INCOME** | | **109,124** | (147,546) | 56,929 |
| Tax benefit (taxes on income) | 18 | **(37,788)** | 49,288 | (19,784) |
| **PROFIT (LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR** | | **71,336** | (98,258) | 37,145 |
| **BASIC EARNINGS (LOSS) PER SHARE:** | | | | |
| Basic earnings (loss) per share | | **12.45** | (17.15) | 6.48 |
| Number of shares used in computation of basic earnings (loss) per share | | **5,730** | 5,730 | 5,730 |

**The accompanying notes are an integral part of the financial statements.**

**AIG ISRAEL INSURANCE COMPANY LTD.**

STATEMENTS OF CHANGES IN EQUITY

| | Share capital | Share premium* | Other reserves* | Retained earnings* | Total |
|---|---|---|---|---|---|
| | NIS in thousands | | | | |
| **BALANCE AS AT JANUARY 1, 2023** | **6** | **250,601** | **15,708** | **528,553** | **794,868** |
| Total comprehensive income for the year | | | | **71,336** | **71,336** |
| **BALANCE AS AT DECEMBER 31, 2023** | **6** | **250,601** | **15,708** | **599,889** | **866,204** |
| **BALANCE AS AT JANUARY 1, 2022** | 6 | 250,601 | 15,708 | 626,811 | 893,126 |
| Total comprehensive loss for the year | | | | (98,258) | (98,258) |
| **BALANCE AS AT DECEMBER 31, 2022** | 6 | 250,601 | 15,708 | 528,553 | 794,868 |
| **BALANCE AS AT JANUARY 1, 2021** | 6 | 250,601 | 15,708 | 689,666 | 955,981 |
| Total comprehensive income for the year | | | | 37,145 | 37,145 |
| Dividend (see note 12e) | | | | (100,000) | (100,000) |
| **BALANCE AS AT DECEMBER 31, 2021** | 6 | 250,601 | 15,708 | 626,811 | 893,126 |

**The accompanying notes are an integral part of the financial statements.**

**AIG ISRAEL INSURANCE COMPANY LTD.**

STATEMENTS OF CASH FLOWS

| | Year ended December 31 | | |
|---|---|---|---|
| | **2023** | **2022** | **2021** |
| | NIS in thousands | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Net cash provided by operations (Appendix A) | **29,430** | 5,445 | 76,866 |
| Interest paid | **(176)** | (287) | (396) |
| Interest received | **44,091** | 43,890 | 54,854 |
| Income taxes paid | **(7,280)** | (60,676) | (52,350) |
| Income taxes received | **72,344** | 9,728 | 9,979 |
| Net cash provided by (used in) operating activities | **138,409** | (1,900) | 88,953 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Investment in property and equipment | **(5,934)** | (4,084) | (4,860) |
| Investment intangible assets | **(19,805)** | (15,016) | (14,511) |
| Net cash used in investing activities | **(25,739)** | (19,100) | (19,371) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | | |
| Dividend paid to the equity holders of the Company | **-** | - | (100,000) |
| Repayment of principal of lease liabilities | **(5,614)** | (5,503) | (5,394) |
| Net cash used in financing activities | **(5,614)** | (5,503) | (105,394) |
| **EFFECT OF FLUCTUATIONS IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS** | **838** | 642 | (10) |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **107,894** | (25,861) | (35,822) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **35,721** | 61,582 | 97,404 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **143,615** | 35,721 | 61,582 |

**The accompanying notes are an integral part of the financial statements.**

**AIG ISRAEL INSURANCE COMPANY LTD.**

STATEMENTS OF CASH FLOWS

| | Year ended December 31 | | |
|---|---|---|---|
| | **2023** | **2022** | **2021** |
| **APPENDIX A - CASH FLOWS FROM OPERATIONS:** | | | |
| Profit (loss) for the year | **71,336** | (98,258) | 37,145 |
| Adjustments with respect to: | | | |
| **Items not involving cash flows:** | | | |
| Change in liability with respect to non-profit participating insurance contracts | **239,001** | 109,631 | 224,769 |
| Change in reinsurance assets | **(49,612)** | 55,853 | (48,445) |
| Change in deferred acquisition costs | **(17,270)** | (12,170) | (11,898) |
| Taxes on income (tax benefit) | **37,788** | (49,288) | 19,784 |
| Change in liability with respect to employee benefits, net | **(829)** | (1,602) | 254 |
| Depreciation of property and equipment | **10,891** | 9,454 | 9,239 |
| Amortization of intangible assets | **16,807** | 15,585 | 13,015 |
| Losses (gains), net, on financial investments: | | | |
| Marketable debt instruments | **(43,686)** | 116,838 | (7,153) |
| Non-marketable debt instruments | **(24,108)** | (12,292) | (2,174) |
| Marketable exchange-traded funds | **(26,057)** | 3,056 | (14,588) |
| Effect of fluctuations in exchange rate on cash and cash equivalents | **(838)** | (642) | 10 |
| | **142,087** | 234,423 | 182,813 |
| **Changes in asset and liability items:** | | | |
| Liabilities towards reinsurers | **32,853** | (26,097) | 11,529 |
| Investments in financial assets, net | **(127,287)** | (29,652) | (41,353) |
| Premiums collectible | **(62,847)** | (43,336) | (25,630) |
| Other accounts receivable | **11,464** | 5,468 | (11,885) |
| Other accounts payable | **10,132** | 13,151 | 13,321 |
| Liabilities for current taxes, net | **(4,393)** | (6,651) | (34,616) |
| | **(140,078)** | (87,117) | (88,634) |
| **Adjustments with respect to interest and dividend:** | | | |
| Interest paid | **176** | 287 | 396 |
| Interest received | **(44,091)** | (43,890) | (54,854) |
| | **(43,915)** | (43,603) | (54,458) |
| **Net cash provided by operations** | **29,430** | 5,445 | 76,866 |

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

**The accompanying notes are an integral part of the financial statements.**

## NOTE 1 - GENERAL

### A) Reporting Entity

AIG Israel Insurance Company Ltd (hereinafter: "the Company") was incorporated in Israel on March 27, 1996 as a private, limited liability company. The Company commenced its insurance activity in May 1997. The Company does not hold any subsidiaries or associated companies. The Company has no foreign operations through branches or investees.

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 subsidiary in the global AIG concern.

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

### B) Definitions:

1) The Company – AIG Israel Insurance Company Ltd.

2) The parent company – AHEL

3) The Commissioner - The Commissioner of the Capital Market, Insurance and Savings.

4) The Supervision Law – The Supervision of Financial Services (Insurance) Law, 1981.

5) Reinsurance assets – the reinsurers’ share in the liabilities with respect to insurance contracts and in the contingent claims.

6) CPI - The Consumer Price index published by the Israeli Central Bureau of Statistics.

7) Known CPI - The CPI known at the end of the month.

8) Related parties - as defined in IAS 24, "Related Party Disclosures".

9) Interested party - as defined in the Israeli Securities (Annual Financial Statements) Regulations, 2010.

10) Liabilities with respect of insurance contracts - pending claims and insurance reserves that are calculated in accordance with the guidelines of the Commissioner and in accordance with actuarial principles generally accepted in Israel.

11) 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).

## NOTE 1 - GENERAL (Continued):

**B) Definitions** (continued)**:**

12) Account Segregation Regulations in Life Insurance - The Supervision of Insurance Regulations (Method of Segregation of Accounts and Assets of an Insurer in Life Insurance), 1984.

13) Exposure to reinsurers - Debit balances with the Company's reinsurers, including the reinsurer's share in the liabilities with respect to insurance contracts, net of the reinsurer's deposits with the Company and the amount of letters of credit given against the liability of a reinsurer.

14) Insurance contract - A contract under which one party (the insurer) takes a significant insurance risk from another party (policy holder), by agreement to indemnify the policy holder if a defined uncertain future event (insurance event) adversely affects the policy holder.

15) Liability for insurance contracts - Insurance reserves and outstanding claims.

16) Premium - Premium including fees and proceeds for auxiliary services.

17) Premiums earned - premiums that relate to the reporting period.

**C. Material Events in the Reporting Period**

**1. "Swords of Iron" War Event**

On October 7, 2023, terror organizations launched a surprise attack on the State of Israel from the Gaza Strip. Consequently, the Government of Israel declared a state of war - "Swords of Iron", which initially focused primarily on fighting the Hamas terrorist organization in Southern Israel and in the Gaza Strip, but was later followed by an escalation of the security situation on Israel's northern border with Lebanon. Various actions were taken in response, including a nationwide recruitment of reserves and the publication by the Home Front Command of a policy for population defense and emergency work directives. The special situation at the Homefront is extended from time to time, and to the date of approval of the financial statements is effective until March 21, 2024.

As a result, many of the employees in Israel were recruited for reserve duty or were instructed to work remotely, and work is performed in limited format and subject to special conditions, in conformity with the state of emergency declared and the population defense policy prescribed by the Home Front Command. In addition, towns adjacent to the border with the Gaza Strip were evacuated, followed by the evacuation of towns in northern Israel as a result of the escalation on the northern front ("War Event"). These actions reduced the economic activity in Israel in October and November 2023, adding to the geopolitical instability that ensued from the War Event and the geopolitical unrest in the Red Sea. Commencing in December 2023, economic activity was gradually and partially resumed, with the exception of the Gaza Envelope and the areas adjacent to Israel's northern border, due to the ongoing fights in Gaza and the escalation on the northern front, respectively. In February 2023, Moody's announced the downgrading of the State of Israel's credit rating from A1 to A2 and the downgrading of the outlook to negative. In its announcement, the rating agency stated that one of the reasons for the downgrading of the rating is the uncertainty as to the duration and outcome of the war, and explained that its decision to change the outlook to negative is due to the uncertainty surrounding the spreading of the war to the northern front.

## NOTE 1 - GENERAL (Continued):

### C. Material Events in the Reporting Period – War Event (continued):

### 1. War Event (continued)

Consequently, the Company made preparations to ensure its continued orderly operation as regarding the meeting of obligations to its customers and the adjustment of all aspects of its operations. The War affects the Company in several aspects:

#### a. Business continuity

The Company took the necessary actions and continues to provide its services in full to all clients in all operating segments, and has even activated a business continuity remote work plan, including support for the employees. It is hereby clarified that, since December 2023, the Company maintains full functionality, with most of the employees working from the offices of the Company.

#### b. Results of the insurance underwriting activity

The War Event had some impact on the sales of the Company, primarily during October and mainly in the health insurance and life insurance sectors. Nevertheless, the War Event did not materially affect the premiums of the Company, with the exception of overseas travel premiums in the health insurance sector, where the reduction in overseas travel by Israelis due to the War Event lead to a decrease in purchases of overseas travel insurance policies, resulting in reduced premiums.

Most of the policies marketed by the Company do not cover property damage caused by war. Accordingly, most of the claims of the Company relating to the War are in life insurance and health insurance (mainly personal accidents). In life and health insurance, the Company exceeded the thresholds prescribed in reinsurance contracts for catastrophes, resulting in the activation of indemnification from reinsurers in those contracts. The impact of the War Event on the Company's gross results in the health insurance sector amounts to NIS 4.1 million (NIS 1.1 million in retention). The impact of the War Event on the Company's gross results in the life insurance sector amounts to NIS 6.8 million (NIS 5.1 million in retention). Claim levels at the Company in the other insurance sectors in which the Company operates were not materially affected by the War Event in 2023.

As stated above, property damages resulting from the War Event are not covered by property insurance policies, hence the total exposure to claims in relation to the War is not expected to be material. In addition, most of the damages caused to property and businesses as a result of the War Event are covered by the Compensation Fund (Property Tax). Nevertheless, the Company has decided to fully rescind the November 2023 payment of premiums in vehicle insurance, including compulsory vehicle insurance, comprehensive insurance and third-party insurance, for policy holders of the Company residing in the Gaza Envelope and Sderot. The aforesaid payment cancellation applies to existing and renewing customers and is effected automatically, without any action being required on the part of the customers.

**NOTE 1 - GENERAL (Continued):**

**C. Material Events in the Reporting Period – War Event** (continued)**:**

**1. War Event (continued)**

**c. Losses on investments**

As part of its activity, the Company is exposed to price drops on the financial markets and to changes in the interest curves. Nevertheless, the Company incurred no losses on investments in 2023 as a result of the War Event.

**2. Officers and directors**

Mr. Usher Gray was appointed CFO of the Company commencing on June 21, 2023 in place of Mr. David Rothstein, who stepped down on the same date.

**D. Material events after the reporting date**

1. Mr. Thomas Lillelund was appointed Chairman of the Board of Directors of the Company commencing on January 1, 2024, in place of Mr. Edward Levin, who stepped down on the same date.

2. In March 2024, the Knesset passed the Value Added Tax Order (Tax Rate Applicable to Non-Profit Organizations and Financial Institutions) (Amendment), 2024 (hereinafter – the Order"), which determines that, commencing on January 1, 2025, the wages tax and the profit tax payable on Israeli operations of a financial institutions will be 18% of the wages paid and the profit derived by the financial institution, superseding the current 17% rate.

   The balances of deferred taxes included in the Company's financial statements as of December 31, 2023 are calculated based on the tax rates that are in effect at the reporting date and do not take into account the effects that will ensue from the aforesaid raising of the tax rate. Those effects will be included in the financial statements for periods commencing on the date of substantive enactment of the Order – i.e., commencing in the financial statements for the first quarter of 2024.

   In the assessment of management of the Company, the raising of the tax rate, as above, will increase the balance of tax liabilities as of January 1, 2024 by NIS 80 thousand, which will be carried to profit or loss in the financial statements for the first quarter of 2024.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES:

### A. Basis of presentation of financial statements

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

Further to the stated in section w. below, on June 1, 2023, the Capital Market Insurance and Savings Authority published the "Updated Roadmap for the Adoption of International Financial Reporting Standard No. 17 - Insurance Contracts - Third Update" (hereinafter: "the Current Roadmap").

According to the Current Roadmap, the date of initial implementation of IFRS 17 and IFRS 9 by the insurance companies in Israel (which pursuant to IFRSs were 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 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.

Accordingly, commencing on January 1, 2023, the financial statements of the Company are not in compliance with the IFRSs, but rather are drawn up in accordance with the requirements of the Commissioner of the Capital Market Insurance and Savings.

The financial statements have been approved for publication by the Board of Directors of the Company on March 19, 2024.

The Company, which is a financial institution, is not characterized by a clearly identifiable operating cycle. While in most insurance sectors, the operating cycle period is one year, in the compulsory and liability sectors of general insurance that have a long tail, and in the personal accidents sector and the life sector that have long-term engagement periods, the operating cycle period is more than one year.

The Company's statements of financial position have been presented by order of liquidity, without a breakdown into current and non-current. Management of the Company believes that this presentation, which is in conformity with the provisions of International Accounting Standard No. 1 (IAS 1) provides a more reliable and relevant information, in view of the aforesaid, and is consistent with the guidelines of the Commissioner.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### A. Basis of presentation of financial statements (continued)

In connection with the presentation of these financial statements, the following should be indicated:

1) Unless otherwise stated, the material accounting policies described below have been applied on a consistent basis in relation to all the years presented.

2) The financial statements have been prepared under the historical cost convention, except for the principal assets and liabilities, as follows: insurance liabilities, financial instruments measured at fair value through profit or loss, liabilities for employee retirement obligations and provisions for deferred taxes.

3) The preparation of financial statements in accordance with the Commissioner's directives, and especially the financial statements of an insurance company, requires management to make significant accounting and actuarial estimates. It is also required that management exercise discretion in the process of applying the accounting policies of the Company. The principal assumptions used in the preparation of the Company's financial statements are based on actuarial estimates. Actual results could differ materially from the estimates and assumptions used by management. For information regarding the material accounting estimates and judgments applied by the Company, see Note 3 below.

### B. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker in the Company who is responsible for allocating resources to and assessing the performance of the operating segments of the Company. For further details regarding the operating segments, see Note 4.

### C. Translation of balances and transactions denominated in foreign currency:

1) Functional currency and presentation currency

Items reflected in the financial statements of the Company are measured in New Israel Shekels, which is the currency of the principal economic environment in which the Company operates (hereinafter: "the functional currency"). The financial statements of the Company are presented in New Israel Shekels and are rounded to the nearest thousand unless stated otherwise.

The table below sets out the changes in the exchange rate of the U.S. dollar ("dollar") and the Consumer Price Index in the reporting periods:

| | Exchange rate of the Dollar | CPI for particular month |
|---|---|---|
| | % | % |
| Year ended December 31, 2023 | **3.1** | **2.6** |
| Year ended December 31, 2022 | 13.2 | 5.3 |

As at December 31, 2023, the exchange rate of the U.S. dollar was \$1 = NIS 3.627.

**NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):**

**C. Translation of balances and transactions denominated in foreign currency (continued):**

2) Transactions and balances

Transactions denominated in currencies other than the functional currency (hereinafter: "foreign currency") are translated into the functional currency by means of the exchange rate prevailing on the date of the transaction. Financial assets and liabilities denominated in foreign currency at the reporting date are translated into the functional currency at the exchange rate prevailing on that date. Exchange rate differentials stemming from the settlement of accounts relating to the above transactions and from the translation of monetary assets and liabilities denominated in a foreign currency are carried to profit or loss at the rates of exchange prevailing at the end of the period.

**D. Property and equipment**

Property and equipment are presented at cost less accumulated depreciation and impairment losses.

Depreciation on assets is calculated on a straight-line basis, which best reflects the anticipation pattern of consumption of the economic benefits that are inherent in the asset, in order to reduce the cost of the assets to their residual value over their estimated useful life, as follows:

| | **Annual depreciation rate** |
|---|---|
| | **%** |
| Computers and communications equipment | 20 - 33 |
| Office furniture and equipment | 7 - 15 |

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term and the expected life of the improvement.
As to impairment, see section g. below.

**E. Leases**

**<u>Determining whether an arrangement contains a lease:</u>**

On the date of entering a lease, the Company determines whether the arrangement is a lease or contains a lease, and examines whether the arrangement confers a right to control the use of an identified asset over a specific period for consideration.

**<u>Leased assets and lease liabilities</u>**

Upon initial recognition, the Company recognizes a liability in the amount of the present value of the future lease payments (these payments do not include certain variable lease payments), commensurate with the recognition of a lease usage-right asset in the amount of the liability, adjusted for lease fees paid in advance or accrued, plus direct costs incurred on the lease.

**Since the interest rate that is implicit in the lease cannot be readily determined, the lessor's incremental interest rate is used.**

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### E. Leases (continued):

Subsequent to initial recognition, the asset is accounted for based on the cost model and depreciated over the lease period or over the useful life of the asset, whichever is shorter.

**The Company has opted for the adoption of the practical expedient pursuant to which, for short-term leases of up to one year and/or leases in which the base asset has a low value, the lease fees are carried to profit or loss by the straight-line method, over the lease period, and no asset and/or liability is recognized in the statement of financial position.**

**Term of the lease**

The lease period is defined as the period in which the lease may not be cancelled, together with periods that are covered by an option to extend or to cancel the lease, if it is probable that the lessee will or will not exercise this option, respectively.

**Variable lease payments**

Variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the lease commencement date and included in the initial measurement of the lease liability. In the event of a change in the cash flow of future lease fees as a result of a change in the index or the rate, the balance of the liability is updated against the usage-right asset. Other variable lease payments that are not included in the measurement of the liability are recognized in profit or loss on the date that the conditions for such payments are fulfilled.

### F. Intangible assets (software)

Software licenses acquired are capitalized on the basis of the actual costs incurred in the acquisition of the specific software and in the preparation of that software for use. **These costs are amortized by the straight-line method over the estimated useful life of the asset (three to five years).** The residual values of the assets, their useful lives and their amortization method are reviewed and updated on an individual basis at every balance sheet date.

Costs relating to the development or maintenance of software are expensed as incurred.

### F. Intangible assets (software) (continued)

The development costs of software for internal use are capitalized after preliminary design has been completed and it is probable that the project will be completed and the software will be used as intended. Capitalization is discontinued when the development of the software has been substantially completed and it is ready for its intended use. These costs are amortized by the straight-line method over the anticipated period of consumption of the economic benefits, which does not exceed 5 years.

As to impairment, see section h. below.

**NOTE 2 - MATERIAL ACCOUNTING POLICIES** (continued):

**G. Impairment of non-financial assets**

Depreciable assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount is not recoverable. The amount of loss recognized in respect of impairment is the amount by which the carrying value of the asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of the fair value of that asset, less costs to sell, and its value in use. For the purpose of impairment testing, assets are grouped by reference to the lowest possible level at which separate cash flows can be identified (cash-generating units). At each balance sheet date, non-financial assets that have been impaired are tested for the purpose of determining whether or not any previously recognized impairments of value can be reversed.

**H. Financial assets**

1) Classification

The Company classifies its financial assets as either financial assets at fair value through profit or loss or as loans and receivables. The classification is determined by reference to the purpose for which the assets were acquired. Management of the Company determines the classification of financial assets on the date of their initial recognition.

a) Financial assets at fair value through profit or loss

This category is comprised of two subcategories - financial assets held for trading purposes and financial assets designated to be measured at fair value through profit or loss. A financial asset is placed in this category if it has been acquired principally for the purpose of sale in the short term or if management has specifically placed the asset in the category, if the Company manages such investments and makes purchase and sale decisions in respect thereof based on the fair value, in accordance with the manner in which the Company documented the risk management or investment strategy, or if the purpose is to prevent an accounting mismatch.

Attributable transaction costs are carried to profit or loss as incurred. These financial assets are measured at fair value and the changes therein are recognized in profit or loss.

**The Company's financial assets at fair value through profit or loss are included under "marketable debt instruments" and "other financial investments" in the statement of financial position.**

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognized at fair value with the addition of attributable transaction costs. Subsequently, loans and receivables are measured at depreciated cost by the effective interest method, less impairment losses. **The loans and receivables of the Company are included in the balance sheet under "other accounts receivable", "premiums collectible", "nonmarketable debt instruments" and "cash and cash equivalents".**

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### H. Financial assets (continued)

2) Recognition and measurement

Ordinary purchases and sales of financial assets are recorded on the date of settlement of the transaction, this being the date on which the asset is transferred either to or by the Company. Financial assets are derecognized when the rights to the cash flows from the investments have either expired or been transferred, and the Company has, in addition, transferred all the risks and rewards stemming from the ownership of those assets.

Gains or losses stemming from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of profit or loss and other comprehensive income under "gains on investments, net, and financing income in the period in which the gains or losses accrued. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of profit or loss and other comprehensive income under "gains on investments, net, and financing income" insofar as the Company is entitled to this income.

Determination of fair value

The fair value of financial instruments quoted in an active market is based on the current selling price of those instruments. If the instrument is not listed for trading, the Company uses a variety of valuation methods for determining the fair value.

The carrying amount of certain financial assets, including cash and cash equivalents, trade receivables, other accounts receivable, other short-term investments and deposits is close or identical to their fair value.

As to the fair value of financial assets, see Note 10 below.

3) Impairment of assets presented at amortized cost

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets presented at amortized cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment of a financial asset or a group of financial assets may include observable data that were brought to the attention of the Company regarding loss events, including: significant financial difficulties experienced by the issuer or the debtor; breach of contract, such as default or delinquency in interest or principal payments; the probability that the debtor will enter bankruptcy or other financial reorganization; the disappearance of an active market for the financial asset as a result of financial difficulties; or where observable data indicate that there is a measurable decrease in the estimated future cash flows; and other indications.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### H. Financial assets (continued)

3) Impairment of assets presented at amortized cost (continued)

If objective evidence of impairment exists, the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows from such asset (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate calculated for the asset upon its initial recognition in the financial statements). The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss and other comprehensive income. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value, using an observable market price.

4) Impairment of assets presented at amortized cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively attributed to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

### I. Premiums collectible

The balance of collectible premiums relates to amounts receivable from the policy holders of the Company for insurance policies sold in the ordinary course of business.

Premiums collectible are initially recognized at fair value and subsequently measured at amortized cost by the effective interest method, less a provision for doubtful debts. A provision for doubtful debts is created when objective evidence exists to the effect that the Company is unable to collect all the outstanding debts receivable under their original terms. The carrying amount of the debt is reduced by means of a provision account, with the amount of the loss being recognized in profit or loss. When a trade receivable is not collectible, it is written off against the provision doubtful debts. Reversal of previously write offs in subsequent periods is carried to profit or loss. See also section h(3) above.

### J. Cash and cash equivalents

Cash and cash equivalents include cash in hand and short-term bank deposits with maturity dates not exceeding three months from the date of the investment that are not restricted as to withdrawal or use.

### K. Trade payables

Trade payables are obligations of the Company to pay for goods or services acquired from suppliers in the ordinary course of business. Trade payables are recognized at the trade date on which the Company becomes a party to the contractual terms. Trade payables are initially recognized at fair value less any attributable transaction costs.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### L. Liabilities towards reinsurers and other accounts payable

Outstanding liabilities towards reinsurers and other accounts payable are initially recognized at fair value and subsequently measured at depreciated cost by the effective interest method. The carrying amount of liabilities towards reinsurers and other accounts payable is close or identical to their fair value.

### M. Current and deferred taxes

The tax expense for the period is comprised of current taxes, deferred taxes and taxes relating to prior years. Taxes are recognized in profit or loss. The amount payable or receivable for taxable income for the year, which is recognized as current taxes, is calculated on the basis of the tax laws enacted or substantially enacted at the date of the statement of financial position. Management periodically evaluates the tax positions applied in tax assessments in relation to situations where the applicable tax rules are open for interpretation and, where necessary, creates provisions that reflect the amounts that are expected to be payable to the tax authorities.

The Company offsets current tax assets and liabilities if there is a legally enforceable right to offset current tax liabilities and assets current tax assets and liabilities are intended to be settled on a net basis or the current tax assets and liabilities are realized simultaneously.

The Company recognizes deferred taxes in full, using the liability method, in respect of all timing differences between the amounts of assets and liabilities as presented in the financial statements and the equivalent amounts as computed for tax purposes. The above notwithstanding, deferred taxes are not recognized if the timing differences are created upon initial recognition of an asset or liability that on the date of the transaction do not affect profit or loss, either for accounting purposes or for tax purposes.

Deferred taxes are calculated based on the tax rates and tax loss that have been enacted, or substantially enacted, as at the date of the statement of financial position, and that are expected to apply upon the realization of the deferred tax asset or the settlement of the deferred tax liability.

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

### N. Employee benefits:

1) Liability for severance pay

In accordance with the provisions of Israel labor laws and agreements, and in accordance with the Company’s prevailing practice, the Company is required to make severance payments to employees who are dismissed or who retire from their employment in certain circumstances. The Company’s severance-pay liability to most of its employees is handled as a defined benefit plan and, for other employees, as a defined contribution plan.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### N. Employee benefits (continued)

1) Liability for severance (continued)

a) Defined contribution plan

Part of the severance payments are subject to the provisions of Section 14 to the Severance Pay Law, 1963, pursuant to which the regular deposits of the Company in pension funds and/or insurance policies exempt it from any additional liability to the employees for which such amounts are deposited. These deposits as well as deposits with provident funds constitute defined contribution plans. the Company’s obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss in the periods during which related services are rendered by employees.

b) Defined benefit plan

That portion of the severance payments that is not covered by contributions to defined contribution plans, as above, is accounted for by the Company as a defined benefit plan, under which a liability for employee benefits is recorded, for which the Company makes deposits with central severance pay funds and appropriate insurance policies. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of the future benefit that employees have earned in return for their services in the current and in prior periods. That benefit is stated at present value less the fair value of the plan's assets. The discount rate is the yield at the reporting date on indexed high-quality corporate debentures denominated in NIS, with maturity dates approximating the terms of the Company’s obligations. The calculation is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets (excluding interest) as well as any change in the effect of the asset ceiling (if any, excluding interest). Due to immateriality, remeasurements are carried to profit or loss and not directly to retained earnings through other comprehensive income. **Interest costs on a defined benefit obligations and interest income on plan assets carried to profit or loss are presented under “payroll” within general and administrative expenses.**

**Plan assets**

**The plan assets consist of assets held by a long-term employee benefit fund (provident funds for salaried employees and pension funds) as well as by qualifying insurance policies.**

2) Vacation and recreation pay

Every employee is entitled by law to vacation and recreation days, both calculated on an annual basis. The degree of entitlement is based on the length of service. The Company creates a provision for vacation and recreation pay on the basis of the accumulated entitlement of each employee.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### N. Employee benefits (continued)

3) Bonus plans

The Company recognizes a liability and an expense in respect of bonuses in the existence of a contractual obligation or where previous practice has created constructive obligation to make such payments and at least one of the following conditions is met:

(a) The formal terms and conditions of the plan include a formula for determining the amount of the benefit;
(b) The Company sets the amounts payable prior to approving the financial statements for publication; or
(c) A pattern of past activity provides clear evidence for the amount of the Company's constructive obligation.

### O. Provisions

Provisions are recognized when the Company has an existing legal or constructive obligation arising out of past events; it is expected that an outflow of resources will be required to settle the liability; and the amount of the liability can be reliably estimated.

Provisions are measured at the present value of the projected cash flows required to settle the liability. The present value is computed by using a pre-tax discount rate that reflects current market evaluations of both the time value of the money and the specific risks associated with the liability. An increase in the provision that is caused by the passage of time is treated as an interest expense. As to insurance claims, see r. below.

Legal claims

A provision for claims is recognized when the Company has a present legal obligation or a constructive obligation as a result of a past event, and it is more likely than not that an outflow of the Company's resources will be required to settle the obligation, and the obligation can be reliably estimated. When the effect of the time value is material, the provision is measured at its present value.

### P. Revenue recognition:

1) Premiums

Premiums stemming from general insurance operations are recorded as income on the basis of monthly yield reports. Premiums stemming from life insurance operations and long-term health insurance operations are recorded as income as and when they fall due under the terms of the relevant policy.

Revenues from gross premiums and changes in the related unearned premiums are carried to "gross premiums earned".

Premiums received for policies that commence after balance sheet date are recorded as prepaid premiums under "other accounts payable".

The income reflected in the financial statements are net of policies cancelled by policy holders and of cancellations and provisions stemming from the default of premiums, subject to the provisions of any law, and include payments for related services (towing, repairs etc.).

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### P. Revenue recognition (continued):

Premiums, commissions and claims arising from underwriting pools are recorded on a proportionate basis in accordance with the rate of the Company's participation in the relevant contracts. Compulsory vehicle insurance premiums are recognized upon payment of the premium (which may also be in the form of settlement of the debt and transferring it to a credit card company), since coverage is conditional upon payment of the premium.

2) Income from commissions

Income from commissions received from reinsurers are recognized on the basis of the dates of entitlement to receive the commissions under the agreements, net of change in deferred acquisition costs in respect of reinsurers.

3) Gains (losses) on investments, net, and financing income (expenses)

Gains and losses on investments, net, and financing income include net gains (losses) from the sale of financial assets, interest income in respect of amounts invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, and gains and losses from exchange differences on assets. Interest income from financial assets classified as loans and receivables is recognized as it accrues, using the effective interest method. Dividend income is recognized when the Company's right to receive payment is established. If a dividend is received in respect of marketable securities, the Company recognizes this income on the Ex dividend day.

Financing expenses include interest expenses, linkage differences and exchange differences on loans received, interest and exchange differences on deposits and on balances of reinsurers, and changes in the time value of provisions. Borrowing costs, which are not capitalized, are recognized in profit or loss using the effective interest method.

In the statements of cash flows, interest received, dividends received and interest paid are presented as part of cash flows from operating activities.

Dividends paid are presented as part of cash flows from financing activities.

### Q. General and administrative expenses

General and administrative expenses are classified into overhead to settle claims (which are included under "payments and change in liability with respect to insurance contracts, gross"), into acquisition related expenses (included under "commissions, marketing expenses and other acquisition costs"), and into a balance of other general and administrative expenses included in this item.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### R. Insurance contracts

International Financial Reporting Standard No.4, 'Insurance Contracts' (hereinafter: "IFRS 4"), which addresses insurance contracts, allows insurers to continue applying the accounting policy applied by them prior to the date of transition to IFRSs regarding insurance contracts that they issue (including related acquisition costs and related intangible assets), as well as reinsurance contracts that they purchase.

The significant accounting policies and methods of computation relating to general insurance operations and life insurance operations used in the preparation of these financial statements were as follows:

#### 1) General insurance:

a) As to revenue recognition, see p. above.

b) The item "payments and changes in liabilities with respect to insurance contracts, gross and in retention" includes, among others, settlement and direct handling costs of claims paid and indirect expenses to settle outstanding claims, as well as an adjustment of the provision recorded in previous years for pending claims, for direct handling costs and for indirect claim settlement expenses.

c) Liabilities for insurance contracts and deferred acquisition costs

Insurance reserves and pending claims included in "liabilities with respect to insurance contracts", and the reinsurers' share in the reserve and in the pending claims included in "reinsurance assets", and deferred acquisition costs in general insurance, are computed in accordance with the Supervision of Financial Services Regulations (Insurance) (Calculation of General Insurance Reserves), 2013 (hereinafter: "the Calculation of Reserves Regulations"), the Commissioner's directives, and standard actuarial methods for computing pending claims, which are applied at the Chief Actuary's discretion.

d) Liabilities for insurance contracts composed of insurance reserves and pending claims, as follows:

1) The unearned premium reserve reflects the insurance premium for the insurance period subsequent to the balance sheet date.

2) A provision for premium deficiency is created if the unearned premium (less deferred acquisition costs) does not cover the anticipated cost for insurance contracts on the basis of actuarial assessment.

3) Insurance reserves and pending claims:

(a) The pending claims reflected in the financial statements are assessed by an the appointed actuary in the general insurance segment, Mr. Shay Elgrably, who declared that he has assessed the pending claims in accordance with the Regulations for the Calculation of Reserves and the directives and guidelines of the Commissioner and with generally accepted actuarial principles, and that, to the best of his knowledge and according to his best assessment, the pending claims are a sufficient provision for the Company's liabilities with respect to the claims pending in the abovementioned sectors, both in total and in each individual sector, as in effect on the date of the financial statements.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### R. Insurance contracts (continued):

#### 1) General insurance (continued):

d) Liabilities for insurance contracts composed of insurance reserves and pending claims, as follows (continued):

3) Insurance reserves and pending claims (continued):

(a) (continued)

The actuary's assessments relate to the gross amounts, to the share of the reinsurers and to the amounts in retention.

(b) The Company's management believes that the outstanding claims are appropriate and their balance includes appropriate provisions, to the extent necessary, for IBNR and IBNER. In sectors and claim types where there is statistical significance, IBNR and IBNER provisions have been computed on various actuarial methods. The use of actuarial methods that rely on the claim development is most suitable when stable and sufficient information is available on claim payments and/or individual estimates of the expected total claim cost. When information available from claim experience is insufficient, the actuary may sometimes use a calculation that weighs a known estimate (of the Company and/or a sector), such as loss ratio, with actual claim development. Greater weight is given to estimations that are based on experience, as time passes and additional claim information is accumulated.

The actuarial assumptions are prepared in accordance with the Commissioner's Position - "Best Practice for Calculation of General Insurance Reserves for Financial Reporting" (hereinafter - "the Best Practice").

The Commissioner's Position includes, among others, explanations to several principles: professionalism, consistency and prudence. The principle of prudence requires from an actuary to determine whether it is fairly likely that the reserve in retention is sufficient to cover the liabilities of the insurer. For compulsory vehicle and liability insurance, the "fairly likely" test will be a probability of at least 75%, see Note 27e(3)(f). In addition, the Commissioner's Position also refers to the discount rate of liability flow, which is primarily based on an risk-free interest rate with the addition of the specified adjustments.

(c) Provision for indirect expenses to settle pending claims - in accordance with the provisions of IFRS 4, the provisions for pending claims also incorporate a provision for indirect claim settlement expenses.

e) That part of the commission and other acquisition expenses that relates to unearned premiums in retention is carried forward to subsequent reporting periods as deferred acquisition costs. These expenses are computed, in accordance with the directives of the Commissioner, for each individual sector, as the lower of the actual expenses incurred or the standard rates, which are determined as a percentage of the unearned premiums.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### R. Insurance contracts (continued):1) General insurance (continued):

f) The subrogation amounts included in the balance sheet are the amounts that management believes the collection of which is highly probable. The assessment of the subrogation amounts is based on the assessment of the appointed actuary, based on past experience.

### 2) Life insurance:

a) In accordance with the provisions of the Life Insurance Segregation of Accounts Regulations, the Company's life insurance business and the related assets are managed separately.

b) As to revenue recognition, see p. above.

c) Life insurance reserves, the portion of those reserves attributable to reinsurers, and deferred acquisition costs have been computed by the appointed actuary in the life insurance segment, Mr. Tom Hamo, who has declared that the amounts in question were calculated based on the Company's data (the accuracy and completeness of which he has reviewed) in accordance with accepted actuarial methods and the data utilized by the Company in connection with its insurance plans. As to the actuarial methods used in calculating the insurance liabilities, see also Note 27e(1) below.

d) Deferred acquisition costs:

1) In accordance with the provisions of the Details of Account Regulations, the deferred acquisition costs of new life insurance policies (hereinafter: "DAC") include those general and administrative expenses that relate to the acquisition of new policies. Under these provisions, the DAC are depreciated in equal annual installments over the shorter of 15 years or the term of the policy.

2) The appointed actuary assesses the recoverability of the DAC every year in order to verify that the liabilities for insurance policies, net of the DAC, for policies sold since 1999 is sufficient, and that the policies are expected to generate future income to cover the DAC deduction and the insurance liabilities, operating expenses and commissions in respect of those policies. If necessary, a special reduction is recognized such that the amount of DAC does not exceed the amount coverable by future revenue. According to the appointed actuary's declaration, deferred acquisition expenses for policies that were recognized as an asset in the accounts of the Company, can be covered by future revenue.

The assumptions used in this assessment include assumptions regarding cancellations, operating expenses, mortality and morbidity rates, which are determined by the appointed actuary on an annual basis based on past experience and relevant surveys.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### R. Insurance contracts (continued):

#### 2) Life insurance (continued):

e) Liability adequacy testing for life insurance contracts

The Company tests the adequacy of the liabilities arising from life insurance contracts. If the test indicates that the premiums received are not sufficient to cover the discounted amounts of expected claims, fees and expenses, a special reserve is recorded for the deficiency. The test is performed at the level of each product. The cash flows are discounted at a real risk-free interest rate plus a non-liquidity premium, see Note 27e(3)(f).

The assumptions used in the above-mentioned tests include assumptions regarding cancellations, operating expenses, yield on assets, and mortality and morbidity rates; the assumptions are set by the appointed actuary every year based on tests, past experience and other relevant studies.

#### 3) Health insurance:

a) As to revenue recognition, see p. above.

b) Liabilities in respect of health insurance contracts

In accordance with the directives of the Commissioner, pending claims included in the financial statements in respect of health insurance are evaluated by the appointed actuary in the health insurance segment, Mr. Tom Hamo, who declared that he has evaluated the pending claims in accordance with the Supervision Law, the guidelines and directives issued by the Commissioner and generally accepted actuarial principles. Mr. Segal declared that, to the best of his knowledge and according to his best assessment, the pending claims are a sufficient provision for the Company's liabilities with respect to the claims pending in the abovementioned sectors, both in total and in each individual sector, as in effect on the date of the financial statements. The actuary's assessments relate to the gross amounts and to the amounts in retention.

The provisions for ongoing contingent liabilities in payment process, the ensuing direct and indirect expenses and provisions for claims incurred but not reported (IBNR) were included in the liabilities in respect of insurance contracts in general insurance.

### S. New standards and interpretations not yet adopted

#### 1) IFRS 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17")

This international Standard was published in May 2017 and its first-time implementation date is January 1, 2023. Nevertheless, as described below, according to an updated roadmap for the implementation of the Standard, which was published by the Capital Market Insurance and Savings Authority, the first-time implementation of the Standard is expected to take place starting in the quarterly and annual periods commencing on January 1, 2025.

The Standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts (including reinsurance contracts), superseding the relevant existing provisions. The new Standard is expected to have significant impact on the financial statements of insurance companies and requires significant preparations in the fields of IT and finance.

**NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):**

**S. New standards and interpretations not yet adopted (continued)**

**1) IFRS 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (continued)**

According to the new Standard, entities will recognize and measure groups of insurance contracts at the risk-adjusted present value of the future cash flows from the contracts that takes into account all of the information available for the cash flows in a manner that is consistent with observable market input, less the amount representing the unrealized profit from the group of contracts (the contractual service margin). Income from insurance contracts, for each reporting period, is derived from changes in the liability for future coverage relating to the various components of the consideration that the insurance company demands for the contract (e.g. insurance contract acquisition costs, risk adjustment, allocation of the contractual service margin to the period, anticipated claims and expenses for the period). Nevertheless, a simplified measurement model may be applied to contracts with an insurance coverage period of up to one year or if it is not probable that the liability will materially differ from the liability that would be derived under the general model. Under the simplified model - the amount attributed to remaining services will be measured by allocating the premium over the coverage period.

The Standard is to be applied retrospectively. If this is impracticable, one of the two following approaches should be applied:

1. Modified retrospective implementation.
2. Fair value approach.

As stated in section a. above, according to the Current Roadmap published by the Commissioner, the first-time implementation of the Standard and of IFRS 9 by the insurance companies in Israel will take place starting in the quarterly and annual periods commencing on January 1, 2025. Hence, the transition date will be January 1, 2024. Additionally, according to the Current Roadmap, already in 2024, the insurance companies will be required to report, in a dedicated note within the financial statements, proforma main statements drawn up in accordance with the provisions of IFRS 17 and IFRS 9, this in the disclosure format that is provided in the appendix to the Current Roadmap, as follows: The financial statements for the third quarter of 2024 will include a disclosure for the pro forma statement of financial position as at January 1, 2024 (the transition date for implementation of the Standard), including disclosure of the specific contractual service margin and risk adjustment applied to each of the segments. Additionally, the annual financial statements for 2024 will also include disclosure of specific items from the pro forma statement of comprehensive income for the six-month period ending June 30, 2024 (without comparative figures). Furthermore, the insurance companies will be required to include in the aforesaid note a supplemental qualitative disclosure that addressing, inter alia, the topics that are set forth in the Current Roadmap.

In addition, the Roadmap specifies the preparations and the principal 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 proper and reliable high-quality implementation of the Standard, inter alia, as regarding the adaptation of the IT systems, finalizing the accounting policy and preparing for the various requisite reports and for the audit by the independent auditors.

## NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

### S. New standards and interpretations not yet adopted (continued)

#### 1) IFRS 17, Insurance Contracts (hereinafter: “the Standard” or “IFRS 17”) (continued)

The Company continues to prepare for the adoption of the Standard on schedule, as above. Such preparations include, inter alia, specification of the interfaces between the information systems that will be used to implement the Standard and the insurance systems of the Company, consideration and mapping of necessary controls and establishing a complete accounting policy for the application of the Standard.

#### 2) IFRS 9, Financial Instruments

This Standard contains updated provisions, primarily with respect to the subsequent classification and measurement of financial assets. For debt instruments, the Standard determines that these will be measured at amortized cost only if the two following cumulative criteria are met:

Pursuant to the contractual terms of the asset, the Company is entitled, on certain dates, to receive cash flows that constitute solely principal payments and interest payments on the balance of the principal.

The asset is held within the framework of a business model that is designated to hold the assets for the purpose of collecting the contractual cash flows deriving from them.

The subsequent measurement of all the remaining debt instruments and other financial assets will be at fair value. The Standard makes a distinction between debt instruments to be measured at fair value through profit or loss and debt instruments to be measured at fair value through other comprehensive income. Financial assets that are equity instruments will be measured at fair value through profit or loss or at fair value through other comprehensive income - as elected by the Company for each individual instrument. Equity instruments that are held for trading will be measured at fair value through profit or loss.

The Standard presents a new model for recognizing expected credit losses in respect of financial debt assets that are not measured at fair value through profit or loss.

IFRS 9 is to be applied retrospectively. However, restatement of the comparative data is not required.

The Standard is expected to have a material effect and requires, inter alia, preparations in the fields of IT and finance.

The date of first-time implementation of the Standard is January 1, 2018. Nevertheless, in accordance with an amendment to IFRS 4, a company that engaged in the issue of insurance contracts (based on the specified criteria) was permitted to postpone the adoption of IFRS 9 to January 1, 2023, in order to allow the insurance companies to simultaneously implement the full range of changes arising from this Standard and from IFRS 17. The Company met the aforesaid criteria. Notwithstanding the aforesaid, as described below, in view of the publication of the Current Roadmap by the Capital Market Insurance and Savings Authority, the first-time implementation of the Standard is expected to take place on January 1, 2025.

The Company is currently considering the implications of the adoption of the Standard on the financial statements.

**NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):**

**T. New amendments to standards implemented for the first time**

Following are new amendments to standards implemented for the first time in these financial statements:

1) **Amendment to IAS 12, Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction**

The Amendment reduces the scope of the exemption from recognizing deferred taxes in respect of temporary differences that arise on the initial recognition of assets and/or liabilities, which no longer applies to transactions that give rise to equal and offsetting temporary differences.

Consequently, companies are required to recognize a deferred tax asset or liability in respect on such temporary differences on the date of initial recognition of transactions that give rise to equal and offsetting temporary differences, such as lease transactions and provisions for dismantling and rehabilitation.

The Amendment is applicable in annual reporting periods commencing on January 1, 2023The effect of the Amendment on the results of the Company has been examined and was found to be immaterial; therefore, the Amendment has not been applied in the financial statements.

2) **Amendment to IAS 1, Presentation of Financial Statements: "Disclosure of the Accounting Policies"**

The amendment requires companies to provide a disclosure of their material accounting policies, in lieu of the requirement to present their significant accounting policies. According to the amendment, information on the accounting policy is material if, when considered together with another information that is included in the financial statements, it can reasonably be expected to influence decisions that the users of the financial statements make on the basis of those financial statements.

The amendment to IAS 1 also clarifies that information on the accounting policies may be material if, in its absence, the users of the financial statements would be unable to understand other material information included in the financial statements. The amendment also clarifies that it is not necessary to disclose information on an accounting policy that is not material.

The amendment is applied in reporting periods commencing on January 1, 2023.

Following the aforesaid amendment, certain modifications were made to the note on material accounting policies - with emphasis on the material accounting policies that are specific to the various topics.

## NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND AREAS OF DISCRETION

Estimates and judgments are constantly tested, and are based on past experience and other factors, including expectations with regard to future events that are deemed to be reasonable in the light of existing circumstances.

**Material accounting estimates and assumptions**

The Company formulates estimates and assumptions with respect to the future. By their very nature, it is rare for accounting estimates to be identical to actual results. The estimates and assumptions that may give rise to a significant risk of the performance of material adjustments to the carrying amount of assets and liabilities in the following fiscal year are described below.

### A. Actuarial estimates with respect to insurance liabilities

The actuarial assessments are based on statistical estimates that contain an element of uncertainty. The statistical estimates are based on various assumptions that may not necessarily be realized. The assumptions employed for the purposes of the actuarial forecasts affect the final level of the provision.

Accordingly, the actual cost of claims may be higher or lower than the statistical estimate. Previous assumptions may change in the light of new information that may be received. In such case, the provisions will change in accordance with the change in assumptions and in the light of actual results, and the differences arising during the reporting year will be included in the insurance business report.

### B. Provisions for lawsuits

Several legal claims and petitions to certify claims as class actions are pending against the Company. In evaluating the chances of legal claims that were filed against it, the Company relied on opinions prepared by its legal counsel. These legal opinions are based on the legal counsel's best professional judgment, taking into consideration the stage of the proceedings and the accumulated legal experience with the various issues. Since the outcome of the claims are decided by the courts, they may differ from said assessments. See Note 31 for additional information.

### C. Impairment testing of deferred acquisition costs in life insurance

As discussed in Note 2r(2), the Company tests whether the amount of DAC exceeds the amount coverable by estimated future income from existing insurance contracts, and, as necessary, reduces DAC accordingly. This test requires the use of estimates concerning the anticipated amounts of income from existing insurance contracts, including an estimation of the useful life of the existing insurance policy portfolio.

## NOTE 4 - OPERATING SEGMENTS

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 include 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, 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, the professional liability sector and other liability sectors.

- <u>Compulsory motor vehicle sector</u>

  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 (to the driver of the vehicle, any passengers therein or pedestrians) as a result of the use of a motor vehicle.

## NOTE 4 - OPERATING SEGMENTS (Continued)

### C. General insurance segment (continued)

- 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 home insurance sector focuses on providing coverage for damages caused to homes 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 damage occasioned to a third party as a result of a mistake or professional negligence. Insurance coverage to directors and officers in respect of an unlawful act or oversight by the directors and officers in their professional capacity, for funds misappropriation damages and for cyber events.

- Other property sector

  Property sectors other than motor vehicles and liability, consisting primarily of 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. These sectors include: third-party liability, employer's liability and product liability.

**NOTE 4 - OPERATING SEGMENTS** (continued):

| | Year ended December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | **Life Insurance** | **Health insurance *** | **General insurance** | **Not allocated to operating segments** | **Total** |
| | | | **NIS in thousands** | | |
| Gross premiums earned | **162,740** | **187,891** | **1,192,824** | | **1,543,455** |
| Premiums earned by reinsurers | **(33,851)** | **(3,702)** | **(207,483)** | | **(245,036)** |
| **Premiums earned in retention** | **128,889** | **184,189** | **985,341** | | **1,298,419** |
| Gains on investments, net, and financing income | **268** | **3,692** | **54,067** | **55,689** | **113,716** |
| Commission income | **8,620** | **678** | **46,730** | | **56,028** |
| **Total income** | **137,777** | **188,559** | **1,086,138** | **55,689** | **1,468,163** |
| Payments and change in liabilities with respect to insurance contracts, gross | **(73,770)** | **(124,985)** | **(919,388)** | | **(1,118,143)** |
| Share of reinsurers in increase in insurance liabilities and payments with respect to insurance contracts | **11,515** | **7,942** | **124,067** | | **143,524** |
| Payments and change in liabilities for insurance contracts, in retention | **(62,255)** | **(117,043)** | **(795,321)** | | **(974,619)** |
| Commissions and other acquisition costs | **(41,771)** | **(46,003)** | **(204,878)** | | **(292,652)** |
| General and administrative expenses | **(15,942)** | **(16,971)** | **(60,851)** | | **(93,764)** |
| Financing income | **-** | **-** | **1,986** | **10** | **1,996** |
| **Total comprehensive income before tax** | **17,809** | **8,542** | **27,074** | **55,699** | **109,124** |

* The health insurance segment mainly includes the results of the personal accidents sector.

**NOTE 4 - OPERATING SEGMENTS** (continued):

| | Year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | **Life Insurance** | **Health insurance *** | **General insurance** | **Not allocated to operating segments** | **Total** |
| | | | **NIS in thousands** | | |
| Gross premiums earned | 157,173 | 173,216 | 982,045 | | 1,312,434 |
| Premiums earned by reinsurers | (31,909) | (3,150) | (176,316) | | (211,375) |
| **Premiums earned in retention** | 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 |
| **Total income** | 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) | (739,360) | | (932,241) |
| Share of reinsurers in increase in insurance liabilities and payments with respect to insurance contracts | 21,187 | 2,126 | 21,174 | | 44,487 |
| Payments and change in liabilities for 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 | - | - | 2,388 | 9,361 | 11,749 |
| **Total comprehensive income (loss) before tax** | 8,872 | 24 | (138,170) | (18,272) | (147,546) |

* The health insurance segment mainly includes the results of the personal accidents sector.

**NOTE 4 - OPERATING SEGMENTS** (continued):

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

* The health insurance segment mainly includes the results of the personal accidents sector.

**NOTE 4 - OPERATING SEGMENTS** (continued):

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Life insurance | Health insurance * | General insurance | Not allocated to operating segments | Total |
| | NIS in thousands | | | | |
| **Assets** | | | | | |
| Intangible assets | - | - | - | 29,623 | 26,623 |
| Deferred acquisition costs | 101,486 | 321 | 100,160 | - | 201,967 |
| Financial investments: | | | | | |
| Marketable debt instruments | - | 102,711 | 1,228,123 | 658,519 | 1,989,353 |
| Non-marketable debt instruments | - | - | 116,390 | 579 | 116,969 |
| Other | - | - | - | 131,371 | 131,371 |
| **Total financial investments** | - | 102,711 | 1,344,513 | 790,469 | 2,237,693 |
| Cash and cash equivalents | 7,378 | 6,592 | 102,645 | 27,000 | 143,615 |
| Reinsurance assets | 16,101 | 3,495 | 741,772 | - | 761,368 |
| Premiums collectible | 363 | 6,255 | 295,314 | - | 301,932 |
| Other assets | 4,359 | - | 135,653 | 18,623 | 158,635 |
| **Total assets** | 129,687 | 119,374 | 2,720,057 | 865,715 | 3,834,833 |
| **Liabilities** | | | | | |
| Liabilities for non-profit-participating insurance contracts | 77,415 | 114,753 | 2,307,877 | - | 2,500,045 |
| Other liabilities | 17,496 | 967 | 450,121 | - | 468,584 |
| **Total liabilities** | 94,911 | 115,720 | 2,757,998 | - | 2,968,629 |

* The health sector mainly includes the results of the personal accidents sector.

**NOTE 4 - OPERATING SEGMENTS** (continued):

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Life insurance | Health insurance * | General insurance | Not allocated to operating segments | Total |
| | NIS in thousands | | | | |
| **Assets** | | | | | |
| Intangible assets | - | - | - | 26,625 | 26,625 |
| Deferred acquisition costs | 97,528 | 637 | 86,532 | - | 184,697 |
| Financial investments: | | | | | |
| Marketable debt instruments | - | 90,753 | 1,115,595 | 611,649 | 1,817,997 |
| Non-marketable debt instruments | - | - | 92,544 | 700 | 93,244 |
| Other | - | - | - | 105,314 | 105,314 |
| **Total financial investments** | - | 90,753 | 1,208,139 | 717,663 | 2,016,555 |
| Cash and cash equivalents | 3,969 | 1,608 | 3,144 | 27,000 | 35,721 |
| Reinsurance assets | 18,222 | 1,751 | 691,783 | - | 711,756 |
| Premiums collectible | 3,615 | 8,511 | 226,959 | - | 239,085 |
| Other assets | 4,279 | - | 241,155 | 23,580 | 269,014 |
| **Total assets** | 127,613 | 103,260 | 2,457,712 | 794,868 | 3,483,453 |
| **Liabilities** | | | | | |
| Liabilities for non-profit-participating insurance contracts | 80,842 | 101,754 | 2,078,448 | - | 2,261,044 |
| Other liabilities | 12,677 | 614 | 414,250 | - | 427,541 |
| **Total liabilities** | 93,519 | 102,368 | 2,492,698 | - | 2,688,585 |

* The health sector mainly includes the results of the personal accidents sector.

**NOTE 4 - OPERATING SEGMENTS** (continued):

**Additional data for the general insurance segment**

| | Year ended December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Compulsory vehicle insurance** | **Vehicle property insurance** | **Home insurance** | **Professional liability** | **Other property sectors*** | **Other liability sectors*** | **Total** |
| | NIS in thousands | | | | | | |
| Gross premiums | **262,348** | **693,630** | **160,263** | **93,840** | **57,302** | **34,322** | **1,301,705** |
| Reinsurance premiums | **(3,548)** | **-** | **(31,940)** | **(86,355)** | **(56,967)** | **(30,084)** | **(208,894)** |
| Premiums in retention | **258,800** | **693,630** | **128,323** | **7,485** | **335** | **4,238** | **1,092,811** |
| Change in balance of unearned premiums, in retention | **(6,687)** | **(94,354)** | **(6,565)** | **561** | **(7)** | **(418)** | **(107,470)** |
| **Premiums earned, in retention** | **252,113** | **599,276** | **121,758** | **8,046** | **328** | **3,820** | **985,341** |
| Gains on investments, net, and financing income | **26,764** | **12,792** | **3,542** | **6,360** | **585** | **4,024** | **54,067** |
| Commission income | **-** | **-** | **1,208** | **28,925** | **9,501** | **7,096** | **46,730** |
| **Total income** | **278,877** | **612,068** | **126,508** | **43,331** | **10,414** | **14,940** | **1,086,138** |
| Payments and change in liabilities with respect to insurance contracts, gross | **(234,392)** | **(495,094)** | **(74,136)** | **(70,497)** | **(16,959)** | **(28,310)** | **(919,388)** |
| Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts | **18,146** | **-** | **3,399** | **63,072** | **16,245** | **23,205** | **124,067** |
| Payments and change in liabilities with respect to insurance contracts, in retention | **(216,246)** | **(495,094)** | **(70,737)** | **(7,425)** | **(714)** | **(5,105)** | **(795,321)** |
| Commissions, marketing expenses and other acquisition costs | **(35,080)** | **(93,201)** | **(37,511)** | **(25,273)** | **(7,006)** | **(6,807)** | **(204,878)** |
| General and administrative expenses | **(13,266)** | **(28,995)** | **(14,966)** | **(1,717)** | **(1,206)** | **(701)** | **(60,851)** |
| Financing income | **-** | **1,064** | **902** | **12** | **1** | **7** | **1,986** |
| **Total expenses** | **(264,592)** | **(616,226)** | **(122,312)** | **(34,403)** | **(8,925)** | **(12,606)** | **(1,059,064)** |
| **Total comprehensive income (loss) before tax** | **14,285** | **(4,158)** | **4,196** | **8,928** | **1,489** | **2,334** | **27,074** |
| **Gross liabilities with respect to insurance contracts as at December 31, 2023** | **983,018** | **518,429** | **129,270** | **345,109** | **107,719** | **224,332** | **2,307,877** |
| **Liabilities with respect to insurance contracts in retention as at December 31, 2023** | **843,536** | **518,429** | **124,175** | **40,075** | **2,577** | **37,313** | **1,566,105** |

* Other property sectors consist primarily of the results of the property insurance sector, which accounts for 98% of total premiums in said sectors.
Other liability sectors consist primarily of the results of the third-party liability insurance sector, which accounts for 46% of total premiums in said sectors.

**NOTE 4 - OPERATING SEGMENTS** (continued):

**Additional data for the general insurance segment**

| | Year ended December 31, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Compulsory vehicle insurance** | **Vehicle property insurance** | **Home insurance** | **Professional liability** | **Other property sectors*** | **Other liability sectors*** | **Total** |
| | | | | NIS in 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) |
| **Premiums earned, in retention** | 215,688 | 456,298 | 121,924 | 8,597 | 96 | 3,126 | 805,729 |
| Gains (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 |
| **Total income** | 190,635 | 448,114 | 119,810 | 33,225 | 7,623 | 4,621 | 804,028 |
| Payments and change in 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 change 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 |
| **Total expenses** | (180,581) | (599,396) | (117,536) | (32,377) | (7,742) | (4,566) | (942,198) |
| **Total comprehensive income (loss) before tax** | 10,054 | (151,282) | 2,274 | 848 | (119) | 55 | (138,170) |
| **Gross liabilities with respect to insurance contracts as at December 31, 2022** | 916,184 | 428,059 | 119,565 | 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 consist primarily of the results of the property insurance sector, which accounts for 97% of total premiums in said sectors.
Other liability sectors consist primarily of the results of the third-party liability insurance sector, which accounts for 48% of total premiums in said sectors.

## NOTE 4 - OPERATING SEGMENTS (continued):

**Additional data for the general insurance segment (continued)**

| | Year ended December 31, 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Compulsory vehicle insurance | Vehicle property insurance | Home insurance | Professional liability | Other property sectors* | Other liability sectors* | Total |
| | NIS in thousands | | | | | | |
| Gross premiums | 209,874 | 421,221 | 135,374 | 103,219 | 37,953 | 26,990 | 934,631 |
| Reinsurance premiums | (2,878) | - | (13,928) | (94,802) | (37,853) | (23,582) | (173,043) |
| Premiums in retention | 206,996 | 421,221 | 121,446 | 8,417 | 100 | 3,408 | 761,588 |
| Change in balance of unearned premiums, in retention | (7,822) | (24,169) | (2,872) | (649) | (13) | (63) | (35,588) |
| **Premiums earned, in retention** | 199,174 | 397,052 | 118,574 | 7,768 | 87 | 3,345 | 726,000 |
| Gains on investments, net, and financing income | 17,931 | 6,472 | 3,045 | 5,328 | 456 | 3,444 | 36,676 |
| Commission income | - | - | 1,336 | 27,964 | 7,082 | 6,328 | 42,710 |
| **Total income** | 217,105 | 403,524 | 122,955 | 41,060 | 7,625 | 13,117 | 805,386 |
| Payments and change in liabilities with respect to insurance contracts, gross | (258,961) | (336,699) | (37,901) | (45,570) | (15,557) | (36,099) | (730,787) |
| Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts | 38,125 | - | 652 | 40,987 | 15,090 | 29,140 | 123,994 |
| Payments and change in liabilities with respect to insurance contracts, in retention | (220,836) | (336,699) | (37,249) | (4,583) | (467) | (6,959) | (606,793) |
| Commissions, marketing expenses and other acquisition costs | (32,635) | (68,565) | (32,726) | (24,209) | (4,670) | (5,841) | (168,646) |
| General and administrative expenses | (11,880) | (17,336) | (12,355) | (972) | (309) | (220) | (43,072) |
| Financing income | - | 657 | 619 | 15 | - | 4 | 1,295 |
| **Total expenses** | (265,351) | (421,943) | (81,711) | (29,749) | (5,446) | (13,016) | (817,216) |
| **Total comprehensive income (loss) before tax** | (48,246) | (18,419) | 41,244 | 11,311 | 2,179 | 101 | (11,830) |
| **Gross liabilities with respect to insurance contracts as at December 31, 2021** | 935,152 | 310,885 | 105,762 | 307,820 | 93,934 | 242,544 | 1,996,097 |
| **Liabilities with respect to insurance contracts in retention as at December 31, 2021** | 757,093 | 310,885 | 100,519 | 36,673 | 2,032 | 41,207 | 1,248,409 |

* Other property sectors consist primarily of the results of the property insurance sector, which accounts for 99% of total premiums in said sectors.
Other liability sectors consist primarily of the results of the third-party liability insurance sector, which accounts for 45% of total premiums in said sectors.

## NOTE 5 - INTANGIBLE ASSETS:

| | Software |
|---|---|
| | NIS in thousands |
| **Cost:** | |
| **Balance as at January 1, 2022** | **104,002** |
| Additions during the year * | 15,016 |
| Retirements in during the year | (49,104) |
| **Balance as at December 31, 2022** | **69,914** |
| Additions during the year * | 19,805 |
| Retirements in during the year | (2,303) |
| **Balance as at December 31, 2023** | **87,416** |
| **Accumulated amortization:** | |
| **Balance as at January 1, 2022** | **76,808** |
| Additions during the year | 15,585 |
| Retirements during the year | (49,104) |
| **Balance as at December 31, 2022** | **43,289** |
| Additions during the year | 16,807 |
| Retirements during the year | (2,303) |
| **Balance as at December 31, 2023** | **57,793** |
| **Depreciated balance:** | |
| As at December 31, 23 | **29,623** |
| As at December 31, 2022 | 26,625 |

* Additions in respect of computer software include additions in respect of proprietary development: in 2023 – NIS 19,734 thousand and in 2022 - NIS 12,277 thousand.

In 2023, the Company retired fully amortized intangible assets that are no longer used by the Company in an amount of NIS 2,303 thousand (2022 – NIS 49,104 thousand).

## NOTE 6 - DEFERRED ACQUISITION COSTS:

### a. Composition

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Life insurance (see section b.) | **101,486** | 97,528 |
| Health insurance (see section b.) | **321** | 637 |
| General insurance | **100,160** | 86,532 |
| **Total** | **201,967** | 184,697 |

### b. Changes in deferred acquisition costs (life insurance and health insurance):

| | Life insurance | Health Insurance | Total |
|---|---|---|---|
| | | NIS in thousands | |
| Balance as at January 1, 2022 | 94,032 | 254 | 94,286 |
| Additions (acquisition costs) | 30,218 | 637 | 30,855 |
| Current depreciation | (8,142) | (254) | (8,396) |
| Depreciation relating to cancellations | (18,580) | - | (18,580) |
| Balance as at December 31, 2022 | 97,528 | 637 | 98,165 |
| Additions (acquisition costs) | 31,419 | 321 | 31,740 |
| Current depreciation | (8,359) | (637) | (8,996) |
| Depreciation relating to cancellations | (19,102) | - | (19,102) |
| Balance as at December 31, 2023 | 101,486 | 321 | 101,807 |

## NOTE 7 - PROPERTY AND EQUIPMENT:

### A. Composition of assets and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2023, are as follows:

| | Computers and communications equipment | Office furniture and equipment | Right-of-use asset and leasehold improvements | Total |
|---|---|---|---|---|
| | NIS in thousands | | | |
| **Cost:** | | | | |
| Balance as at January 1, 2023 | 18,437 | 5,816 | 39,182 | 63,435 |
| Additions during year | 5,758 | 143 | 33 | 5,934 |
| Retirements during year | (3,177) | (48) | (62) | (3,287) |
| Balance as at December 31, 2023 | 21,018 | 5,911 | 39,153 | 66,082 |
| **Accumulated depreciation:** | | | | |
| Balance as at January 1, 2023 | 9,637 | 3,057 | 27,161 | 39,855 |
| Additions to right-of-use assets | - | - | 5,452 | 5,452 |
| Other additions during the year | 4,510 | 457 | 472 | 5,439 |
| Retirements during year | (3,177) | (48) | (62) | (3,287) |
| Balance as at December 31, 2023 | 10,970 | 3,466 | 33,023 | 47,459 |
| Depreciated balance as at December 31, 2023 | 10,048 | 2,445 | 6,130 | 18,623 |
| Carrying amount of right-of-use assets as at December 31, 2023 | - | - | 5,451 | 5,451 |
| Carrying amount of all other items of property and equipment as at December 31, 2023 | 10,048 | 2,445 | 679 | 13,172 |

In 2023, the Company wrote off property and equipment in the amount of NIS 3,287 thousand (2022: NIS 9,038 thousand) that was fully depreciated and is not used by the Company.

### B. Composition of assets and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2022, are as follows:

| | Computers and communications equipment | Office furniture and equipment | Right-of-use asset and leasehold improvements | Total |
|---|---|---|---|---|
| | NIS in thousands | | | |
| **Cost:** | | | | |
| Balance as at January 1, 2022 | 23,559 | 5,702 | 39,128 | 68,389 |
| Additions during year | 3,834 | 196 | 54 | 4,084 |
| Retirements during year | (8,956) | (82) | - | (9,038) |
| Balance as at December 31, 2022 | 18,437 | 5,816 | 39,182 | 63,435 |
| **Accumulated depreciation:** | | | | |
| Balance as at January 1, 2022 | 15,529 | 2,667 | 21,243 | 39,439 |
| Additions to right-of-use assets | - | - | 5,452 | 5,452 |
| Other additions during the year | 3,064 | 472 | 466 | 4,002 |
| Retirements during year | (8,956) | (82) | - | (9,038) |
| Balance as at December 31, 2022 | 9,637 | 3,057 | 27,161 | 39,855 |
| Depreciated balance as at December 31, 2022 | 8,800 | 2,759 | 12,021 | 23,580 |
| Carrying amount of right-of-use assets as at December 31, 2022 | - | - | 10,903 | 10,903 |
| Carrying amount of all other items of property and equipment as at December 31, 2022 | 8,800 | 2,759 | 1,118 | 12,677 |

## NOTE 8 - OTHER ACCOUNTS RECEIVABLE:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Prepaid expenses | **28,722** | 27,052 |
| Employees | **196** | 238 |
| Advance payment of subrogation to the National Insurance Institute (*) | **1,587** | 21,434 |
| Insurance companies and insurance brokers | **33,132** | 25,792 |
| Related parties (see note 28a) | **1,754** | 1,816 |
| Other | **1,925** | 2,448 |
| Total other accounts receivable (**) | **67,316** | 78,780 |

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

Additionally, as part of the aforesaid agreement, the Company has transferred to the National Insurance Institute, at the end of December 2021, an advance of NIS 31.4 million in respect of the 2014-2022 Incidents, this amount representing 4.06% of the amount of premiums collected in the compulsory insurance sector by the Company during the years 2014-2018. In 2023, payments of NIS 19,847 thousand were offset from this advance payment (2022 - NIS 9,985 thousand).

(**) As at December 31, 2023 and December 31, 2022, no allowance for doubtful accounts was required in respect of other accounts receivable.

## NOTE 9 - PREMIUMS COLLECTIBLE:

### a. Composition:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Premiums collectible (*) | **309,014** | 244,136 |
| Less – allowance for doubtful accounts (see section c.) | **(7,082)** | (5,051) |
| Total premiums collectible | **301,932** | 239,085 |
| (*) Includes backdated checks, payments by standing order and payments though credit card companies | **287,269** | 217,873 |

As to the linkage terms of the premium collectible, see Note 27c(3).

The Company has no balance of premium collectible from related parties, see note 28a.

## NOTE 9 - PREMIUMS COLLECTIBLE (Continued):

### b. Aging:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Unimpaired premiums collectible: | | |
| Not overdue | **300,165** | 236,506 |
| Overdue (*): | | |
| Less than 90 days | **996** | 709 |
| Between 90 and 180 days | **771** | 1,870 |
| Total unimpaired premiums collectible | **301,932** | 239,085 |
| Impaired premiums collectible | **7,082** | 5,051 |
| | **309,014** | 244,136 |
| Less – allowance for doubtful accounts | **(7,082)** | (5,051) |
| Total premiums collectible | **301,932** | 239,085 |

As at December 31, 2023 and December 31, 2022, the Company had no unimpaired premiums collectible that more than 180 days overdue.

(*) Includes NIS 3 thousand for overdue life insurance receivables as at December 31, 2023 (December 31, 2022 - NIS 1 thousand).

### c. Change in allowance for doubtful accounts:

| | Year ended December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Balance as at January 1 | **(5,051)** | (3,981) |
| Change in allowance for the year, net - carried to profit and loss | **(2,031)** | (1,070) |
| Balance as at December 31 | **(7,082)** | (5,051) |

## NOTE 10 - FINANCIAL INVESTMENTS:

**Composition of financial investments:**

| | December 31, 2023 | | |
|---|---|---|---|
| | At fair value through profit or loss | Loans and receivables | Total |
| | NIS in thousands | | |
| Marketable debt instruments (a) | **1,989,353** | **-** | **1,989,353** |
| Non-marketable debt instruments (b) | **-** | **116,969** | **116,969** |
| Other (d) | **131,371** | **-** | **131,371** |
| Total | **2,120,724** | **116,696** | **2,237,693** |

| | December 31, 2022 | | |
|---|---|---|---|
| | At fair value through profit or loss | Loans and receivables | Total |
| | NIS in thousands | | |
| Marketable debt instruments (a) | **1,817,997** | **-** | **1,817,997** |
| Non-marketable debt instruments (b) | **-** | **93,244** | **93,244** |
| Other (d) | **105,314** | **-** | **105,314** |
| Total | **1,923,311** | **93,244** | **2,016,555** |

A. **Composition of marketable debt instruments** (designated upon initial recognition at fair value through profit or loss):

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Government bonds | **875,655** | 559,822 |
| Other non-convertible marketable debt instruments | **1,113,698** | 1,258,175 |
| Total marketable debt instruments | **1,989,353** | 1,817,997 |

B. **Composition of nonmarketable debt instruments** (presented as loans and receivables):

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | NIS in thousands | | | |
| Presented at depreciated cost, excluding bank deposits | **116,390** | 92,544 | **116,317** | 92,462 |
| Bank deposits | **579** | 700 | **585** | 770 |
| Total non-convertible debt instruments | **116,969** | 93,244 | **116,902** | 93,232 |

As at December 31, 2023 and December 31, 2022, no non-marketable debt instruments are overdue or impaired.

**NOTE 10 - FINANCIAL INVESTMENTS** (continued):

**C. Details regarding interest and linkage in respect of debt instruments:**

| | Effective interest* | |
|---|---|---|
| | **2023** | **2022** |
| | **Percentage** | |
| Marketable debt instruments: | | |
| Linkage basis: | | |
| Linked to CPI | **1.55%** | 2.14% |
| NIS denominated | **1.92%** | 2.58% |
| Linked to the dollar | **-** | 5.78% |
| Non-marketable debt instruments: | | |
| Linkage basis: | | |
| Linked to CPI | **5.38%** | 5.43% |
| NIS denominated | **4.60%** | 4.60% |

* Weighted average.

**D. Other financial investments:**

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| | **NIS in thousands** | |
| Marketable * - designated upon initial recognition at fair value through profit or loss | **131,371** | 105,314 |

* Other financial investments consist primarily of investments in mutual funds.

**E. Interest rates used in determining fair value**

The fair value of nonmarketable financial debt instruments, the data regarding the fair value of which is presented for clarification purposes only, is determined by discounting the estimated future cash flows in respect of these instruments. The discount rates are primarily based on government-bond yields and margins of corporate bonds, as measured in the Tel Aviv Stock Exchange. The quoted prices and the interest rates used in discounting are set by a company that was awarded the Ministry of Finance's tender for the establishment and operation of a database of quoted prices and interest rates for public institutions.

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| | **Percentage** | |
| AA rating or more | **1.94%** | 1.58% |
| A rating | **6.37%** | 6.51% |

## NOTE 10 - FINANCIAL INVESTMENTS (continued):

### F. Fair value hierarchy of financial assets

Fair value hierarchy is determined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

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

Further to the above, no transfers of fair value measurements of financial assets were made between raising the various levels of the fair value hierarchy.

## NOTE 11 - CASH AND CASH EQUIVALENTS:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| | **NIS in thousands** | |
| Balances in banks | **112,423** | 24,457 |
| Deposits available for withdrawal on demand | **31,192** | 11,264 |
| Total cash and cash equivalents | **143,615** | 35,721 |

As at balance sheet date, cash and cash equivalents in banks were bear current interest that is based on the interest rates applicable to daily bank deposits, approximately 4%.

## NOTE 12 - SHAREHOLDERS' EQUITY AND EQUITY REQUIREMENTS:

### A. Composition of share capital:

| | Number of shares | | NIS in thousands | |
|---|---|---|---|---|
| | Authorized | | Issued and fully paid | |
| | December 31 | | | |
| | **2023** | **2022** | **2023** | **2022** |
| Ordinary shares of NIS 1 par value | **45,000,100** | 45,000,100 | **5,730** | 5,730 |

### B. Rights attaching to shares

Rights to vote at the general meeting, the right to receive dividends, rights upon the liquidation of the Company, and the right to appoint directors in the Company.

## NOTE 12 - SHAREHOLDERS' EQUITY AND EQUITY REQUIREMENTS (Continued):

### C. 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%.

### D. 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 a Solvency II-based economic solvency ratio regime.
3. The directives of the Commissioner prescribe, inter alia, transitional provisions that allow the gradual deployment of the capital requirements, based on the stipulated principles.
4. In accordance with the guidelines of the Commissioner from October 1, 2017, concerning a dividend distribution, an insurance company that distributes a dividend will deliver all of the following to the Commissioner, within 20 business days from the date of distribution:
    - An annual profit forecast for the two years following the dividend distribution date;
    - An updated debt servicing plan of the insurance company approved by the company's board of directors, as well as an updated debt servicing 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 Solvency Ratio target set by the board of directors over time;
    - A copy of the minutes of the discussion by 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 November 21, 2023, the Company, in accordance with the Commissioner's directives, published the economic solvency ratio report for the June 30, 2023 on its website.

    According to the solvency ratio reports as at June 30, 2023 and December 31, 2022, the Company has surplus capital independent of the transitional provisions.

    The calculation performed by the Company, as above, as of June 30, 2023 has been reviewed by the independent auditors of the Company in accordance with the principles of ISAE 3000, Assurance engagements other than audits or reviews of historical financial information. The calculation performed by the Company, as above, as of December 31, 2022 has been audited by the independent auditors of the Company in accordance with ISAE 3400 – The Examination of Prospective Financial Information. These standards apply to the examination of the Solvency calculations and its review is not part of the auditing standards that apply to financial statements.

## NOTE 12 - SHAREHOLDERS' EQUITY AND EQUITY REQUIREMENTS (Continued):

### D. Solvency II-based economic solvency regime (continued):

5. (continued)

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.

### E. Dividend:

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

## NOTE 13 - LIABILITIES WITH RESPECT TO NON-PROFIT-PARTICIPATING INSURANCE CONTRACTS:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | Gross | | Reinsurance (*) | | Retained amount | |
| | NIS in thousands | | | | | |
| Insurance contracts in the life insurance segment | **77,415** | 80,842 | **16,101** | 18,222 | **61,314** | 62,620 |
| Insurance contracts in the health insurance segment | **114,753** | 101,754 | **3,495** | 1,751 | **111,258** | 100,003 |
| Insurance contracts in the general insurance segment | **2,307,877** | 2,078,448 | **741,772** | 691,783 | **1,566,105** | 1,386,665 |
| **Total liabilities with respect to non-profit-participating insurance contracts** | **2,500,045** | 2,261,044 | **761,368** | 711,756 | **1,738,677** | 1,549,288 |

* Primarily in respect of reinsurers that are related parties, see Note 28a.

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT:

### A.1. Liabilities with respect to insurance contracts in the general insurance segment, by category:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | Gross | | Reinsurance | | Retained amount | |
| | NIS in thousands | | | | | |
| Compulsory vehicle insurance and liability sectors: | | | | | | |
| Provision for unearned premiums | **171,318** | 170,168 | **52,895** | 58,291 | **118,423** | 111,877 |
| Pending claims and provision for premium deficiency | **1,381,141** | 1,258,620 | **578,640** | 528,922 | **802,501** | 729,698 |
| **Total liabilities in compulsory vehicle insurance and liability sectors *** | **1,552,459** | 1,428,788 | **631,535** | 587,213 | **920,924** | 841,575 |
| Other property sectors: | | | | | | |
| Provision for unearned premiums | **426,478** | 318,743 | **29,277** | 22,471 | **397,198** | 296,272 |
| Provision for premium deficiency | **26,883** | 45,764 | **-** | - | **26,883** | 45,764 |
| Pending claims | **302,060** | 285,153 | **80,960** | 82,099 | **221,100** | 203,054 |
| **Total liabilities in other property sectors** | **755,418** | 649,660 | **110,237** | 104,570 | **645,181** | 545,090 |
| **Total liabilities with respect to insurance contracts in the general insurance segment** | **2,307,877** | 2,078,448 | **741,772** | 691,783 | **1,566,105** | 1,386,665 |

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

### A.1. Insurance liabilities with respect to insurance contracts in the general insurance segment, by category (continued):

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | Gross | | Reinsurance | | Retained amount | |
| Deferred acquisition costs: | NIS in thousands | | | | | |
| Compulsory vehicle insurance and liability sectors | **26,761** | 28,519 | **16,531** | 16,993 | **10,230** | 11,526 |
| Other property sectors | **73,399** | 58,013 | **6,717** | 5,060 | **66,682** | 52,953 |
| **Total** | **100,160** | 86,532 | **23,248** | 22,053 | **76,912** | 64,479 |
| Liabilities with respect to general insurance contracts, net of deferred acquisition costs: | | | | | | |
| Compulsory vehicle insurance and liability sectors (see b(1) below) | **1,525,698** | 1,400,269 | **615,004** | 570,220 | **910,694** | 830,049 |
| Other property sectors (see b(2) below) | **682,019** | 591,647 | **103,520** | 99,510 | **578,499** | 492,137 |
| **Total liabilities with respect to general insurance contracts, net of deferred acquisition costs** | **2,207,717** | 1,991,916 | **718,524** | 669,730 | **1,489,193** | 1,322,186 |
| * Of said amount, liability for compulsory vehicle sector | **983,018** | 916,184 | **139,482** | 145,893 | **843,536** | 770,291 |

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

### A.2. Insurance liabilities with respect to insurance contracts in the general insurance segment, by method of computation:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | Gross | | Reinsurance | | Retained earnings | |
| | NIS in thousands | | | | | |
| Total actuarial valuations - Mr. Shay Elgrably | **1,710,084** | 1,589,537 | **659,600** | 611,021 | **1,050,484** | 978,516 |
| Provision for unearned premiums | **597,793** | 488,911 | **82,172** | 80,762 | **515,621** | 408,149 |
| **Total insurance liabilities with respect to insurance contracts in the general insurance segment** | **2,307,877** | 2,078,448 | **741,772** | 691,783 | **1,566,105** | 1,386,665 |

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

### B. Changes in liabilities with respect to insurance contracts in the general insurance segment, net of deferred acquisition costs:

### B1. Compulsory vehicle insurance and liability sectors:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** | **2023** | **2022** |
| | **Gross** | | **Reinsurance** | | **Retained amounts** | |
| | **NIS in thousands** | | | | | |
| Balance as at the of beginning of the year (1) | **1,400,269** | 1,458,669 | **570,220** | 633,496 | **830,049** | 825,173 |
| Ultimate cost of claims for the current underwriting year (2) | **327,832** | 311,942 | **89,512** | 92,690 | **238,320** | 219,252 |
| Change in balances as at beginning of the year as result of linkage to CPI and investment gains in accordance with the discount assumption inherent in the liabilities | **11,503** | (23,993) | **-** | - | **11,503** | (23,993) |
| Change in estimate of ultimate cost of claims with respect to previous underwriting years (4) | **(3,211)** | (133,597) | **9,979** | (88,356) | **(13,190)** | (45,241) |
| **Total change in ultimate cost of claims** | **336,124** | 154,352 | **99,491** | 4,334 | **236,633** | 150,018 |
| Payments in settlement of claims during the year (3): | | | | | | |
| With respect to current underwriting year | **(1,830)** | (1,241) | **(707)** | (265) | **(1,123)** | (976) |
| With respect to previous underwriting years | **(208,865)** | (211,511) | **(54,000)** | (67,345) | **(154,865)** | (144,166) |
| **Total payments for period** | **(210,695)** | (212,752) | **(54,707)** | (67,610) | **(155,988)** | (145,142) |
| **Balance as at the end of the year (1)** | **1,505,698** | 1,400,269 | **615,004** | 570,220 | **910,694** | 830,049 |

1. The opening and closing balances include pending claims and unearned premium, and are net of deferred acquisition costs.
2. The ultimate cost of claims includes the balance of pending claims, provision for premium deficiency and unearned premium, net of deferred acquisition costs and with the addition of total payments made in respect of claims, including direct and indirect expenses incurred in the settlement of claims.
3. The payment include direct and indirect expenses incurred in the settlement of claims (general and administrative expenses attributable to the claims), allocated between the various underwriting years.

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

### B. Changes in liabilities with respect to insurance contracts in the general insurance segment, net of deferred acquisition costs (continued):

#### B2. Other property sectors:

| | December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | Gross | | Reinsurance | | Retained amount | |
| | NIS in thousands | | | | | |
| Balance as at the beginning of the year (1) | **591,647** | 459,187 | **99,510** | 92,815 | **492,137** | 366,372 |
| Ultimate cost of claims with respect to events in the reporting year (2) | **647,912** | 562,657 | **32,276** | 23,693 | **615,636** | 538,964 |
| Change in ultimate cost of claims with respect to events in prior years | **(42,842)** | 5,603 | **(12,630)** | (3,130) | **(30,212)** | 8,733 |
| Payments made during the year in settlement of claims (3): | | | | | | |
| With respect to events in the reporting year | **(437,463)** | (373,373) | **(4,196)** | (3,145) | **(433,267)** | (370,228) |
| With respect to events in prior years | **(150,701)** | (137,120) | **(16,589)** | (15,237) | **(134,112)** | (121,883) |
| **Total payments** | **(588,164)** | (510,493) | **(20,785)** | (18,382) | **(567,379)** | (492,111) |
| Change in provision for unearned premium, net of deferred acquisition costs | **92,346** | 45,042 | **5,149** | 4,514 | **87,197** | 40,528 |
| Change in premium deficiency | **(18,880)** | 29,651 | **-** | - | **(18,880)** | 29,651 |
| **Balance as at the end of the year (1)** | **682,019** | 591,647 | **103,520** | 99,510 | **578,499** | 492,137 |

1. The opening and closing balances include pending claims, a provision for premium deficiency and unearned premiums and is net of deferred acquisition costs.
2. The ultimate cost of claims in respect of events in the reporting year includes the balance of pending claims at the end of the reporting year, with the addition of total payments for claims in the reporting period, including direct and indirect expenses incurred in the settlement of claims.
3. Payments to settle claims include direct and indirect expenses incurred in the settlement of claims (general and administrative costs attributable to claims), allocated between the various damage years.

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

**C1. Review of development of estimated liabilities in respect of insurance contracts less deferred acquisition costs, gross, in the compulsory vehicle and liability insurance sectors as at December 31, 2023, by underwriting year, in NIS thousands (CPI-adjusted) *:**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Claims paid (accumulated) at end of year:** | | | | | | | | | | | |
| After first year | 2,578 | 2,244 | 1,576 | 3,082 | 1,996 | 1,488 | 29,236 | 2,054 | 1,241 | 1,831 | |
| After two years | 13,564 | 13,348 | 15,270 | 17,079 | 12,778 | 23,270 | 74,236 | 16,448 | 15,964 | | |
| After three years | 37,518 | 41,267 | 40,209 | 47,066 | 41,629 | 62,200 | 110,490 | 54,726 | | | |
| After four years | 71,920 | 65,623 | 66,577 | 76,295 | 90,534 | 97,856 | 151,527 | | | | |
| After five years | 94,821 | 85,384 | 90,358 | 100,747 | 130,491 | 132,506 | | | | | |
| After six years | 118,696 | 103,125 | 111,970 | 122,891 | 157,506 | | | | | | |
| After seven years | 143,624 | 119,562 | 132,587 | 136,013 | | | | | | | |
| After eight years | 158,207 | 143,263 | 152,051 | | | | | | | | |
| After nine years | 169,821 | 150,157 | | | | | | | | | |
| After ten years | 178,883 | | | | | | | | | | |
| **Assessment of accumulated claims (including payments) at end of year:** | | | | | | | | | | | |
| After first year (**) | 266,355 | 207,554 | 230,838 | 278,974 | 305,583 | 304,177 | 394,038 | 391,585 | 339,743 | 327,767 | |
| After two years | 169,164 | 195,811 | 241,185 | 255,018 | 265,271 | 291,693 | 375,878 | 310,458 | 330,645 | | |
| After three years | 184,625 | 233,082 | 233,254 | 239,499 | 278,031 | 304,019 | 332,806 | 315,927 | | | |
| After four years | 224,912 | 221,799 | 257,069 | 248,200 | 302,442 | 262,185 | 331,132 | | | | |
| After five years | 239,392 | 212,484 | 251,062 | 234,258 | 257,633 | 256,308 | | | | | |
| After six years | 225,597 | 200,233 | 245,906 | 205,523 | 258,005 | | | | | | |
| After seven years | 222,348 | 192,492 | 223,003 | 207,435 | | | | | | | |
| After eight years | 218,682 | 182,562 | 223,077 | | | | | | | | |
| After nine years | 207,702 | 182,200 | | | | | | | | | |
| After ten years | 205,161 | | | | | | | | | | |
| **Excess (deficit) relative to first year, which does not include accumulation (***)** | **19,751** | **39,599** | **7,762** | **71,540** | **47,578** | **47,869** | | | | | **234,098** |
| Rate of deviation relative to first year, which does not include accumulation, in percentages | 8.8% | 17.9% | 3.0% | 28.86 | 15.7% | 18.3% | | | | | 21.3% |
| **Cost of accumulated claims as at December 31, 2023** | **205,161** | **182,200** | **223,077** | **207,435** | **258,005** | **256,308** | **331,132** | **315,927** | **330,645** | **327,767** | **2,637,655** |
| Accumulated payments through December 31, 2023 | 178,883 | 150,157 | 152,051 | 136,013 | 157,724 | 132,506 | 151,527 | 54,726 | 15,964 | 1,831 | 1,131,382 |
| **Balance of pending claims** | 26,278 | 32,043 | 71,025 | 71,422 | 100,281 | 123,802 | 179,605 | 261,201 | 314,681 | 325,936 | 1,506,273 |
| **Pending claims through underwriting year 2013** | | | | | | | | | | | **19,425** |
| **Total liabilities in respect of insurance contracts in compulsory vehicle and liability sectors, net of deferred acquisition costs as at December 31, 2023** | | | | | | | | | | | **1,525,698** |

(*) The amounts above are presented in inflation-adjusted values to allow presentation of development based on real values.

(**) Estimated accumulated claims at the end of the first year include the reserve for unearned premium, less deferred acquisition costs.

(***) The difference between estimated accumulated claims in the first year (that does not include accumulation) and estimated accumulated claims as at the reporting date.

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

### C2. Review of development of estimated liabilities in respect of insurance contracts less deferred acquisition costs, in self-retention, in the compulsory vehicle and liability insurance sectors as at December 31, 2023, by underwriting year, in NIS thousands (CPI-adjusted) *:

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Claims paid (accumulated) at end of year:** | | | | | | | | | | | |
| After first year | 2,381 | 1,299 | 1,244 | 2,413 | 1,382 | 1,250 | 2,369 | 1,269 | 976 | 1,126 | |
| After two years | 10,494 | 9,015 | 11,339 | 11,061 | 9,599 | 10,654 | 11,387 | 8,933 | 9,162 | | |
| After three years | 27,007 | 28,725 | 30,802 | 31,529 | 33,486 | 36,773 | 36,409 | 41,771 | | | |
| After four years | 51,390 | 48,606 | 52,053 | 56,170 | 70,231 | 66,118 | 74,387 | | | | |
| After five years | 69,422 | 62,748 | 71,917 | 76,791 | 96,366 | 93,584 | | | | | |
| After six years | 85,212 | 75,704 | 89,070 | 93,758 | 113,460 | | | | | | |
| After seven years | 101,926 | 86,693 | 101,266 | 103,693 | | | | | | | |
| After eight years | 112,204 | 102,266 | 113,210 | | | | | | | | |
| After nine years | 118,870 | 107,610 | | | | | | | | | |
| After ten years | 120,741 | | | | | | | | | | |
| **Assessment of accumulated claims (including payments) at end of year:** | | | | | | | | | | | |
| After first year (**) | 177,386 | 128,713 | 144,820 | 176,689 | 189,417 | 196,195 | 212,949 | 259,698 | 230,782 | 238,346 | |
| After two years | 104,587 | 111,409 | 137,080 | 149,412 | 157,420 | 176,911 | 201,346 | 199,836 | 217,256 | | |
| After three years | 112,550 | 128,154 | 134,377 | 143,739 | 171,336 | 185,240 | 184,875 | 210,148 | | | |
| After four years | 133,600 | 125,150 | 146,854 | 151,982 | 176,960 | 161,081 | 183,489 | | | | |
| After five years | 143,475 | 127,715 | 145,251 | 148,235 | 160,959 | 158,852 | | | | | |
| After six years | 138,300 | 123,583 | 139,808 | 133,944 | 157,352 | | | | | | |
| After seven years | 136,031 | 121,073 | 132,218 | 134,115 | | | | | | | |
| After eight years | 134,971 | 118,640 | 133,649 | | | | | | | | |
| After nine years | 132.493 | 118,599 | | | | | | | | | |
| After ten years | 130,494 | | | | | | | | | | |
| **Excess (deficit) relative to first year, which does not include accumulation (***)** | **3,106** | **6,551** | **11,171** | **42,574** | **32,065** | **37,343** | | | | | **132,812** |
| Rate of deviation relative to first year, which does not include accumulation, in percentages | 2.3% | 5.2% | 7.6% | 28.0% | 18.1% | 23.2% | | | | | 19.4% |
| **Cost of accumulated claims as at December 31, 2023** | **130,494** | **118,599** | **133,649** | **134,115** | **157,352** | **158,852** | **183,489** | **210,148** | **217,256** | **238,346** | **1,682,300** |
| Accumulated payments through December 31, 2023 | 120,741 | 107,610 | 113,210 | 103,693 | 113,460 | 93,584 | 74,387 | 41,771 | 9,162 | 1,126 | 778,744 |
| **Balance of pending claims** | 9,753 | 10,989 | 20,439 | 30,422 | 43,892 | 65,268 | 109,102 | 168,377 | 208,094 | 237,220 | 903,556 |
| **Pending claims through underwriting year 2013** | | | | | | | | | | | **7,137** |
| **Total liabilities in respect of insurance contracts in compulsory vehicle and liability sectors, net of deferred acquisition costs as at December 31, 2021** | | | | | | | | | | | **910,693** |

(*) The amounts above are presented in inflation-adjusted values to allow presentation of development based on real values.

(**) Estimated accumulated claims at the end of the first year include the reserve for unearned premium, less deferred acquisition costs.

(***) The difference between estimated accumulated claims in the first year (that does not include accumulation) and estimated accumulated claims as at the reporting date.

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

**C3. Review of development of estimated liabilities in respect of insurance contracts less deferred acquisition costs, gross, in the compulsory vehicle insurance sectors as at December 31, 2023, by underwriting year, in NIS thousands (CPI-adjusted) *:**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Claims paid (accumulated) at end of year:** | | | | | | | | | | | |
| After first year | 2,171 | 1,161 | 1,318 | 2,051 | 1,213 | 1,205 | 1,144 | 1,228 | 932 | 1,064 | |
| After two years | 9,797 | 8,473 | 13,014 | 9,844 | 8,953 | 9,536 | 8,676 | 8,018 | 8,223 | | |
| After three years | 26,626 | 26,796 | 32,152 | 29,277 | 31,954 | 34,416 | 32,842 | 39,725 | | | |
| After four years | 47,864 | 45,641 | 51,720 | 53,111 | 68,078 | 63,483 | 70,566 | | | | |
| After five years | 64,291 | 58,568 | 71,741 | 73,117 | 98,583 | 90,815 | | | | | |
| After six years | 82,653 | 72,083 | 92,254 | 92,479 | 122,304 | | | | | | |
| After seven years | 105,007 | 83,397 | 108,814 | 103,373 | | | | | | | |
| After eight years | 115,395 | 100,517 | 127,169 | | | | | | | | |
| After nine years | 121,986 | 105,349 | | | | | | | | | |
| After ten years | 130,069 | | | | | | | | | | |
| **Assessment of accumulated claims (including payments) at end of year:** | | | | | | | | | | | |
| After first year (**) | 117,415 | 122,136 | 164,852 | 179,295 | 200,151 | 196,524 | 215,941 | 263,646 | 234,356 | 236,941 | |
| After two years | 109,080 | 126,320 | 149,734 | 161,569 | 172,499 | 188,973 | 216,290 | 210,239 | 227,515 | | |
| After three years | 132,656 | 130,238 | 148,129 | 152,594 | 186,350 | 199,925 | 191,255 | 219,757 | | | |
| After four years | 141,014 | 125,143 | 165,835 | 167,147 | 190,764 | 171,367 | 191,906 | | | | |
| After five years | 148,403 | 126,638 | 166,183 | 163,376 | 169,456 | 167,529 | | | | | |
| After six years | 144,752 | 120,679 | 161,322 | 143,140 | 162,879 | | | | | | |
| After seven years | 143,044 | 119,488 | 151,479 | 142,790 | | | | | | | |
| After eight years | 146,965 | 115,372 | 150,947 | | | | | | | | |
| After nine years | 140,587 | 114,695 | | | | | | | | | |
| After ten years | 139,255 | | | | | | | | | | |
| **Excess (deficit) relative to first year, which does not include accumulation (***)** | **1,759** | **10,447** | **13,905** | **36,505** | **37,373** | **3,838** | **(651)** | **(9,518)** | **6,840** | | **100,398** |
| Rate of deviation relative to first year, which does not include accumulation, in percentages | 1.2% | 8.3% | 8.4% | 21.8% | 19.5% | 16.9% | | | | | 17.7% |
| **Cost of accumulated claims as at December 31, 2023** | **139,255** | **114,695** | **150,947** | **142,790** | **162,879** | **167,529** | **191,906** | **219,757** | **227,515** | **236,941** | **1,754,216** |
| Accumulated payments through December 31, 2023 | 130,069 | 105,349 | 127,169 | 103,373 | 122,304 | 90,815 | 70,566 | 39,725 | 8,223 | 1,064 | 798,656 |
| **Balance of pending claims** | 9,186 | 9,346 | 23,778 | 39,418 | 40,575 | 76,714 | 121,341 | 180,033 | 219,292 | 235,877 | 955,560 |
| **Pending claims through underwriting year 2013** | | | | | | | | | | | **12,144** |
| **Total liabilities in respect of insurance contracts in compulsory vehicle sectors, net of deferred acquisition costs as at December 31, 2023** | | | | | | | | | | | **967,704** |

(*) The amounts above are presented in inflation-adjusted values to allow presentation of development based on real values.

(**) Estimated accumulated claims at the end of the first year include the reserve for unearned premium, less deferred acquisition costs.

(***) The difference between estimated accumulated claims in the first year (that does not include accumulation) and estimated accumulated claims as at the reporting date.

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

**C4. Review of development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, in self-retention, in the compulsory vehicle insurance sector as at December 31, 2023 by underwriting year, in NIS thousands (CPI-adjusted):**

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Claims paid (accumulated) at end of year:** | | | | | | | | | | | |
| After first year | 2,171 | 1,161 | 1,318 | 2,051 | 1,213 | 1,205 | 1,144 | 1,228 | 932 | 1,064 | |
| After two years | 9,797 | 8,473 | 11,153 | 9,844 | 8,953 | 9,536 | 8,676 | 8,018 | 8,223 | | |
| After three years | 26,626 | 26,796 | 29,425 | 29,277 | 31,859 | 34,416 | 32,193 | 39,725 | | | |
| After four years | 47,864 | 45,641 | 48,957 | 53,111 | 66,729 | 62,101 | 69,352 | | | | |
| After five years | 64,210 | 48,329 | 68,184 | 73,117 | 91,442 | 88,412 | | | | | |
| After six years | 78,815 | 70,587 | 85,158 | 89,887 | 107,989 | | | | | | |
| After seven years | 94,914 | 80,413 | 96,036 | 99,494 | | | | | | | |
| After eight years | 104,111 | 95,274 | 107,633 | | | | | | | | |
| After nine years | 109,699 | 100,107 | | | | | | | | | |
| After ten years | 111,280 | | | | | | | | | | |
| **Assessment of accumulated claims (including payments) at end of year:** | | | | | | | | | | | |
| After first year (**) | 105,919 | 114,978 | 150,747 | 166,395 | 179,014 | 183,389 | 201,695 | 246,613 | 219,930 | 222,413 | |
| After two years | 94,603 | 108,664 | 123,745 | 136,876 | 145,774 | 163,172 | 186,237 | 186,762 | 203,222 | | |
| After three years | 111,927 | 113,077 | 121,587 | 132,402 | 158,224 | 171,150 | 171,893 | 197,054 | | | |
| After four years | 118,568 | 109,149 | 132,147 | 140,568 | 160,343 | 148,047 | 170,151 | | | | |
| After five years | 125,425 | 113,173 | 132,472 | 137,919 | 147,831 | 146,424 | | | | | |
| After six years | 121,917 | 109,088 | 128,175 | 125,381 | 143,491 | | | | | | |
| After seven years | 120,250 | 107,707 | 121,134 | 125,176 | | | | | | | |
| After eight years | 120,842 | 106,293 | 124,111 | | | | | | | | |
| After nine years | 119,462 | 106,578 | | | | | | | | | |
| After ten years | 117,230 | | | | | | | | | | |
| **Excess (deficit) relative to first year, which does not include accumulation (***)** | **1,339** | **2,571** | **26,635** | **41,219** | **35,523** | **36,965** | | | | | **144,251** |
| Rate of deviation relative to first year, which does not include accumulation, in percentages | 1.1% | 2.4% | 20.2% | 29.3% | 22.2% | 25.0 | | | | | 23.2% |
| **Cost of accumulated claims as at December 31, 2023** | **117,230** | **106,578** | **124,111** | **125,176** | **143,491** | **146,424** | **170,151** | **197,054** | **203,222** | **222,413** | **1,555,851** |
| Accumulated payments through December 31, 2023 | 111,280 | 100,107 | 107,633 | 99,494 | 107,989 | 88,412 | 69,352 | 39,725 | 8,223 | 1,064 | 733,278 |
| **Balance of pending claims** | 5,950 | 6,472 | 16,478 | 25,682 | 35,502 | 58,012 | 100,800 | 157,329 | 194,999 | 221,349 | 822,573 |
| **Pending claims through underwriting year 2013** | | | | | | | | | | | **5,649** |
| **Total liabilities in respect of insurance contracts in compulsory vehicle sectors, net of deferred acquisition costs as at December 31, 2023** | | | | | | | | | | | **828,222** |

(*) The amounts above are presented in inflation-adjusted values to allow presentation of development based on real values.

(**) Estimated accumulated claims at the end of the first year include the reserve for unearned premium, less deferred acquisition costs.

(***) The difference between estimated accumulated claims in the first year (that does not include accumulation) and estimated accumulated claims as at the reporting date.

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

### C5. Aggregate data for underwriting years in the compulsory vehicle insurance sector:

For the year ended December 31, 2023:

| | Underwriting year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| | NIS in thousands | | | | | | |
| Gross premium | 266,610 | 234,740 | 212,918 | 192,789 | 179,734 | 173,959 | 159,876 |
| Retained income/(loss) for underwriting year – accumulated | (4,662) | (20,270) | (46,106) | (20,929) | (4,014) | (2,362) | 5,543 |
| Effect of investment gains on accumulated retained income for the underwriting year | 3,150 | (2,532) | 1,855 | (303) | 1,731 | 4,521 | 4,840 |

### C6. Aggregate data for underwriting years in other liability insurance sectors:

For the year ended December 31, 2023:

| | Underwriting year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| | NIS in thousands | | | | | | |
| Gross premium | 122,790 | 125,723 | 127,268 | 109,175 | 107,379 | 105,926 | 98,570 |
| Retained income/(loss) for underwriting year – accumulated | (1,267) | (2,412) | 8 | (1,004) | 673 | (148) | 1,450 |
| Effect of investment gains on accumulated retained income for the underwriting year | 911 | (858) | 793 | (79) | 654 | 1,589 | 1,918 |

## NOTE 14 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS IN THE GENERAL INSURANCE SEGMENT (Continued):

**C7. Composition of income (loss) in retention in the compulsory vehicle insurance sector:**

| | Income (loss) for current underwriting year | Income (loss) for prior underwriting years | Income (loss) for current underwriting year | Income (loss) for prior underwriting years |
|---|---|---|---|---|
| | Gross | | Retained amount | |
| | NIS in thousands | | | |
| Year ended: | | | | |
| 2023 | (15,941) | 15,628 | (4,607) | 18,892 |
| 2022 | (31,879) | 57,871 | (20,270) | 30,324 |
| 2021 | (59,171) | (24,323) | (46,106) | (2,140) |

**C8. Composition of income (loss) in retention in the other liability insurance sector:**

| | Income (loss) for current underwriting year | Income (loss) for prior underwriting years | Income (loss) for current underwriting year | Income (loss) for prior underwriting years |
|---|---|---|---|---|
| | Gross | | Retained amount | |
| | NIS in thousands | | | |
| Year ended: | | | | |
| 2023 | (1,092) | 9,706 | (1,267) | 12,529 |
| 2022 | (1,691) | 69,684 | (2,412) | 3,315 |
| 2021 | (8,960) | 25,640 | 6 | 11,406 |

## NOTE 15 - ADDITIONAL DATA CONCERNING THE LIFE INSURANCE SEGMENT:

**A. Details of gross liabilities with respect to insurance contracts, by financial and insurance exposure**

**Data for the year ended December 31, 2023 (NIS in thousands):**

| | Policies not containing a savings element |
|---|---|
| | Risk sold as individual policy |
| | Individual |
| Insurance reserves | **2,047** |
| Pending claims | **75,368** |
| **Total** | **77,415** |

* The Company has no collective policies.

## NOTE 15 - ADDITIONAL DATA CONCERNING THE LIFE INSURANCE SEGMENT (Continued):

**A. Details of gross liabilities with respect to insurance contracts, by financial and insurance exposure (continued):**

**Data for the year ended December 31, 2022 (NIS in thousands):**

| | Policies not containing a savings element |
|---|---|
| | Risk sold as individual policy |
| | Individual |
| Insurance reserves | 2,465 |
| Pending claims | 78,377 |
| **Total** | **80,842** |

The Company has no collective policies.

**B. Details of results by type of policy**

**Data for the year ended December 31, 2023 (NIS in thousands):**

| | Policies not containing a savings element |
|---|---|
| | Risk sold as individual policy |
| | Individual |
| Gross risk premiums | 162,323 |
| Income from life insurance business | 17,809 |
| New annualized premium | 27,520 |
| Payments and change in liabilities for insurance contracts, gross | 73,770 |

**Data for the year ended December 31, 2022 (NIS in thousands):**

| | Policies not containing a savings element |
|---|---|
| | Risk sold as individual policy |
| | Individual |
| Gross risk premiums | 156,125 |
| Income from life insurance business | 8,872 |
| New annualized premium | 30,368 |
| Payments and change in liabilities for insurance contracts, gross | 88,211 |

## NOTE 15 - ADDITIONAL DATA CONCERNING THE LIFE INSURANCE SEGMENT (Continued):

### B. Details of results by type of policy (continued):

**Data for the year ended December 31, 2021 (NIS in thousands):**

| | Policies not containing a savings element |
|---|---|
| | Risk sold as individual policy |
| | Individual |
| Gross risk premiums | 150,095 |
| Income from life insurance business | 16,466 |
| New annualized premium | 22,670 |
| Payments and change in liabilities for insurance contracts, gross | 73,306 |

## NOTE 16 - BREAKDOWN OF LIABILITIES IN RESPECT OF INSURANCE CONTRACTS IN THE HEALTH INSURANCE SEGMENT:

### A. Breakdown of liabilities in respect of insurance contracts, by insurance and financial exposure:

**Data for the year ended December 31, 2023 (NIS in thousands):**

| | Long-term | Short-term | Total |
|---|---|---|---|
| By insurance exposure - insurance reserves | **776** | **1,221** | **1,997** |
| Pending claims | **100,961** | **11,795** | **112,756** |
| **Total** | **101,737** | **13,016** | **114,753** |

Personal accidents (individual) is the most significant item in long-term healthcare coverage, and overseas travel insurance is the most significant in the short-term insurance.

**Data for the year ended December 31, 2022 (NIS in thousands):**

| | Long-term | Short-term | Total |
|---|---|---|---|
| By insurance exposure - insurance Reserves | **812** | **3,154** | **3,966** |
| Pending claims | **88,591** | **9,197** | **97,788** |
| **Total** | **89,403** | **12,351** | **101,754** |

There is no difference between the actuarial assessments in the healthcare sectors and the overall amount of the liability in the financial statements.

## NOTE 16 - BREAKDOWN OF LIABILITIES IN RESPECT OF INSURANCE CONTRACTS IN THE HEALTH INSURANCE SEGMENT (Continued):

### B. Breakdown of results by type of policy in the healthcare insurance segment

**Data for the year ended December 31, 2023 (NIS in thousands):**

| | Long-term | Short-term | Total |
|---|---|---|---|
| Gross premiums | **130,535** | **55,387** | *** 185,922** |
| Income from healthcare insurance business | **(1,460)** | **10,002** | **8,542** |
| New annualized premium | **13,023** | **-** | **13,023** |

* All premiums are individual. There are no collective premiums. The most significant coverage in long-term health insurance is personal accidents (individual), and in short-term insurance overseas travel is the most significant.

**Data for the year ended December 31, 2022 (NIS in thousands):**

| | Long-term | Short-term | Total |
|---|---|---|---|
| Gross premiums | **127,256** | **47,545** | *** 174,710** |
| Income from healthcare insurance business | **(8,122)** | **8,146** | **24** |
| New annualized premium | **12,679** | **-** | **12,679** |

* All premiums are individual. There are no collective premiums. The most significant coverage in long-term health insurance is personal accidents (individual), and in short-term insurance overseas travel is the most significant.

**Data for the year ended December 31, 2021 (NIS in thousands):**

| | Long-term | Short-term | Total |
|---|---|---|---|
| Gross premiums | 126,898 | 16,235 | * 143,133 |
| Income from healthcare insurance business | 12,518 | 3,503 | 16,021 |
| New annualized premium | 9,337 | - | 9,337 |

* Of which individual premiums of NIS 143,071 thousand and collective premiums of NIS 62 thousand. The most significant coverage is personal accidents (individual) in long-term healthcare insurance, and travel insurance in short-term insurance.

## NOTE 17 - CHANGES IN LIABILITIES WITH RESPECT TO LIFE INSURANCE CONTRACTS AND HEALTH INSURANCE CONTRACTS:

| | Life insurance | Health insurance |
|---|---|---|
| | NIS in thousands | |
| Balance as at January 1, 2022 | 72,095 | 83,221 |
| Decrease (increase) in premiums accounted for as liabilities | (1,047) | 2,219 |
| Changes in pending claims and IBNR | 9,794 | 16,314 |
| Balance as at December 31, 2022 | 80,842 | 101,754 |
| Decrease (increase) in premiums accounted for as liabilities | **(419)** | **(388)** |
| Changes in pending claims and IBNR | **(3,008)** | **13,387** |
| Balance as at December 31, 2022 | **77,415** | **114,753** |

## NOTE 18 - TAXES ON INCOME:

### A. Tax laws applicable to the Company

1) General

The Company is a “financial institution”, as defined in the Value Added Tax Law, 1975. The tax applicable to the income of financial institutions is comprised of corporate tax at a rate of 23% and profit tax at a rate of 17%. The overall tax rate (corporate tax and profit tax) is 34.19%.

2) Special tax arrangements for the insurance industry – agreement with the tax authorities

a. The Association of Insurance Companies and the tax authorities have entered into an agreement (hereinafter: “the Tax Agreement”) that addresses specific tax issues and is renewed and updated from time to time. As at December 31, 2023, tax agreements have been signed, as above, for tax years up to and including the 2022 tax year. The agreement addresses, inter alia, the recognition and depreciation of deferred acquisition costs, taxation of securities, allocation of expenses to preferred income, recognition of a provision for claim settlement overheads and more.

b. On February 21, 2024, an agreement was signed between the insurance companies and the Tax Authority with regard to tax-exempt income that arose to the companies in 2007 as a result of the cancellation of a provision for extraordinary risks in life insurance, which was effected within the framework of implementation of IFRS 4. According to the signed agreement, the insurance companies will pay tax on said income. The Company is not a member of the Insurance Companies Association and is therefore not a party to said agreement. Nevertheless, it has undertaken to act in accordance with the sectorial agreement. As aforesaid, in 2007 tax-exempt income in an amount of NIS 3,795 thousand arose to the Company as a result of the cancellation of the provision. Accordingly, in 2023 the Company recorded tax expenses of NIS 272 thousand.

## NOTE 18 - TAXES ON INCOME (continued):

### B. Composition of income tax expense in the reported years

| | Year ended December 31, | | |
|---|---|---|---|
| | **2023** | **2022** | **2021** |
| | NIS in thousands | | |
| Current taxes: | | | |
| For the current year | **(6,073)** | 6,292 | (5,965) |
| For previous years | **(272)** | (505) | 76 |
| | **(6,345)** | 5,787 | (5,889) |
| Deferred taxes: | | | |
| For the current year | **(31,443)** | 43,501 | (13,895) |
| Total income tax (expense) income | **(37,788)** | 49,288 | (19,784) |

### C. Tax assessments

Subject to the related provisions of the Income Tax Ordinance, the tax assessments of the Company through tax year 2020 are considered final.

### D. Deferred taxes

Deferred tax assets and liabilities are offset when there is an enforceable legal right to offset current tax assets against current tax liabilities and when the deferred taxes relate to taxes on income levied by the same tax authority. The offset amounts are as follows:

**Composition:**

| | Deferred acquisition costs | Vacation and recreation pay | Gain on securities | Allowance for doubtful accounts | Carry-forward losses | Other | Total |
|---|---|---|---|---|---|---|---|
| | NIS in thousands | | | | | | |
| Balance of deferred tax asset (liability) as at January 1, 2022 | (6,409) | 5,274 | (17,144) | 1,361 | - | 359 | (16,559) |
| Changes carried to profit or loss | 256 | (472) | 33,719 | 366 | 8,512 | 1,120 | 43,501 |
| Balance of deferred tax asset (liability) as at December 31, 2022 | (6,153) | 4,802 | 16,575 | 1,727 | 8,512 | 1,479 | 26,942 |
| Changes carried to profit or loss | (232) | 384 | (26,147) | 694 | (7,961) | 1,819 | (31,443) |
| Balance of deferred tax asset (liability) as at December 31, 2023 | (6,385) | 5,186 | (9,572) | 2,421 | 551 | 3,298 | (4,501) |

The deferred taxes, which were calculated at a 34.19% tax rate, are presented in the balance sheet under deferred tax liabilities.

## NOTE 18 - TAXES ON INCOME (continued):

### D. Deferred taxes (continued)

**Analysis of the deferred tax assets and liabilities:**

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Deferred tax assets | 11,543 | 33,924 |
| Deferred tax liabilities | (16,044) | (6,982) |
| **Deferred tax assets (liabilities), net** | **(4,501)** | **26,942** |

### E. Theoretical tax

Following is a reconciliation of the theoretical tax expense, assuming all income and expenses, profits and losses in the statement of profit or loss are taxed at the statutory tax rate, and the amount of income tax recognized in the statement of profit or loss:

| | Year ended December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS in thousands | | |
| Profit (loss) before taxes on income | **109,124** | (147,546) | 56,929 |
| Overall statutory tax rate applicable to financial institutions (see b. above) | **34.19%** | 34.19% | 34.19% |
| Taxes computed based on the statutory tax rate | **37,309** | (50,446) | 19,463 |
| Increase (decrease) in income tax arising from: | | | |
| Expenses not deductible for tax purposes | **461** | 652 | 411 |
| Taxes in respect of previous years | **272** | 506 | (76) |
| Other | **(254)** | - | (14) |
| Taxes on income | **37,788** | (49,288) | 19,784 |
| Average effective tax rate | **34.63%** | 33.41% | 34.75% |

## NOTE 19 - OTHER ACCOUNTS PAYABLE:

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Employees and other payroll related Liabilities | **34,966** | 33,377 |
| Trade payables | **49,803** | 49,803 |
| Lease liabilities (see note 32) | **5,727** | 11,342 |
| Prepaid premiums | **32,914** | 26,665 |
| Commissions payable | **9,761** | 10,291 |
| Related parties (see note 28a) | **3,954** | 4,844 |
| Other | **11,248** | 8,067 |
| | **148,907** | 144,389 |

## NOTE 20 - PREMIUMS EARNED IN RETENTION:

| | Year ended December 31, 2023 | | |
|---|---|---|---|
| | **Gross** | **Reinsurance*** | **Retained amount** |
| | **NIS in thousands** | | |
| Life insurance premiums | **162,323** | **33,849** | **128,474** |
| Health insurance premiums | **185,922** | **3,702** | **182,220** |
| General insurance premiums | **1,301,705** | **208,894** | **1,092,811** |
| **Total premiums, gross** | **1,649,950** | **246,445** | **1,403,505** |
| Less - change in balance of unearned premium ** | **(106,495)** | **(1,409)** | **(105,086)** |
| **Total premiums earned** | **1,543,455** | **245,036** | **1,298,419** |

| | Year ended December 31, 2022 | | |
|---|---|---|---|
| | **Gross** | **Reinsurance*** | **Retained amount** |
| | **NIS in thousands** | | |
| Life insurance premiums | 156,125 | 31,910 | 124,215 |
| Health insurance premiums | 174,710 | 3,150 | 171,560 |
| General insurance premiums | 1,049,506 | 185,231 | 864,275 |
| **Total premiums, gross** | 1,380,341 | 220,291 | 1,160,050 |
| Less - change in balance of unearned premium ** | (67,907) | (8,916) | (58,991) |
| **Total premiums earned** | 1,312,434 | 211,375 | 1,101,059 |

| | Year ended December 31, 2021 | | |
|---|---|---|---|
| | **Gross** | **Reinsurance*** | **Retained amount** |
| | **NIS in thousands** | | |
| Life insurance premiums | 150,095 | 29,126 | 120,969 |
| Health insurance premiums | 143,333 | 2,717 | 140,416 |
| General insurance premiums | 934,631 | 173,043 | 761,588 |
| **Total premiums, gross** | 1,227,859 | 204,886 | 1,022,973 |
| Less - change in balance of unearned premium ** | (51,745) | (14,640) | (37,105) |
| **Total premiums earned** | 1,176,114 | 190,246 | 985,868 |

* For information regarding reinsurance premiums with related parties, see note 28b below.

** The change in the unearned premium balance mainly arises from general insurance.

## NOTE 21 - GAINS (LOSSES) ON INVESTMENTS, NET, AND FINANCING INCOME:

| | Year ended December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS in thousands | | |
| Gains on assets held against non-profit participating liabilities, equity and other: | | | |
| Gains (losses) on financial investments, excluding interest, linkage differences, exchange differences and dividends on assets at fair value through profit or loss | **70,111** | (125,159) | 19,121 |
| Interest income, linkage differences and exchange differences on financial assets at fair value through profit or loss | **41,239** | 46,828 | 54,875 |
| Interest income on deposits and from cash and nonmarketable securities | **2,366** | 338 | 19 |
| Income from dividends | **-** | - | 24 |
| **Total gains (losses) on investments, net, and financing income** | **113,716** | (77,993) | 74,039 |

## NOTE 22 - REVNEUES FROM COMMISSIONS:

| | Year ended December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS in thousands | | |
| Reinsurance commissions, net of change in deferred acquisition costs relating to reinsurance | **56,028** | 54,767 | 50,378 |

For information regarding commission revenue from related parties, see note 28b below.

## NOTE 23 - PAYMENTS AND CHANGES IN LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS, IN RETENTION:

| | Year ended December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS in thousands | | |
| **Total payments and changes in liabilities with respect to life insurance contracts:** | | | |
| Gross | **73,770** | 88,211 | 73,306 |
| Reinsurance (*) | **(11,515)** | (21,187) | (17,149) |
| Retained amount | **62,255** | 67,024 | 56,157 |
| **Total payments and changes in liabilities with respect to general insurance contracts:** | | | |
| Gross | **919,388** | 738,360 | 730,787 |
| Reinsurance (*) | **(124,067)** | (21,174) | (123,994) |
| Retained amount | **795,321** | 717,186 | 606,793 |
| **Total payments and changes in liabilities with respect to health insurance contracts:** | | | |
| Gross | **124,985** | 105,670 | 76,042 |
| Reinsurance (*) | **(7,942)** | (2,126) | (1,512) |
| Retained amount | **117,043** | 103,544 | 74,530 |
| **Total payments and changes in liabilities with respect to insurance contracts, in retention** | **974,619** | 887,754 | 737,480 |

* Relates to payments and changes in liabilities in respect of reinsurers' share of insurance contracts with related parties, see note 28b below.

## NOTE 24 - COMMISSIONS, MARKETING EXPENSES AND OTHER ACQUISITION COSTS:

| | Year ended December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS in thousands | | |
| Acquisition commissions | **66,218** | 51,352 | 43,249 |
| Marketing and other expenses (reclassified from general and administrative expenses) | **243,704** | 224,577 | 208,231 |
| Change in acquisition costs | **(17,270)** | (12,170) | (11,897) |
| **Total commissions, marketing expenses and other acquisition costs** | **292,652** | 263,759 | 239,583 |

## NOTE 25 - GENERAL AND ADMINISTRATIVE EXPENSES:

| | Year ended December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS in thousands | | |
| Payroll and related expenses | **240,297** | 212,923 | 192,287 |
| Depreciation and amortization | **27,698** | 25,037 | 22,252 |
| Office maintenance and communications | **12,609** | 12,263 | 11,482 |
| Marketing and advertising | **57,013** | 59,884 | 56,959 |
| Legal and professional consulting | **7,604** | 6,870 | 6,671 |
| Information technology expenses | **19,757** | 19,560 | 18,632 |
| Other | **12,381** | 10,068 | 9,179 |
| Total (**) | **377,359** | 346,605 | 317,477 |
| Less: | | | |
| Amounts classified to changes in liabilities and payments in respect of insurance contracts | **(39,891)** | (36,413) | (30,389) |
| Amounts classified to commissions, marketing expenses and other acquisition costs | **(243,704)** | (224,577) | (208,231) |
| Total general and administrative expenses | **39,764** | 85,615 | 78,860 |
| ** General and administrative expenses include expenses relating to automation in the total amount of | **57,413** | 53,088 | 51,567 |

## NOTE 26 - FINANCING INCOME (EXPENSES):

| | Year ended December 31 | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| | NIS in thousands | | |
| Income (expenses) from income tax interest, net | **5,469** | 6,744 | (424) |
| Interest expenses in respect of lease | **(176)** | (287) | (395) |
| Income (expenses) in respect of interest and exchange differences | **(3,297)** | 5,292 | 3,386 |
| Total financing income | **1,996** | 11,749 | 2,567 |

## NOTE 27 - RISK MANAGEMENT:

### General

The Company operates in the following operative segments: general insurance (individual and commercial insurance), health insurance and life insurance risk (including mortgage). The Company's operations expose it to the following risks:

- Insurance risks
- Market risks
- Liquidity risks
- Credit risks
- Operational risks

Other risks beyond those listed above include: fraud and misappropriation, reputation, legal, compliance, information security and cyber and more.

### A. Description of risk management procedures and methods

1) The Company manages risk based on the risk management policy approved by the Board of Directors of the Company, which is aligned with rules and guidance of local regulation and the enterprise risk management policies of the AIG global corporation.

2) The risk management policy is designed to support the achievement of the Company’s business objectives and ensure controlled exposure to risks, in tune with changes in the business environment. The monitoring of and reporting on the implementation of the policy, including compliance with restrictions, are performed according to regulatory requirements and a reporting escalation procedure established by the Board of Directors and its committees.

3) The risk management process includes an ongoing process of identifying and mapping exposures in different processes, assessment and measurement of exposures and controls, reporting and assessing the alignment to the Company's risk appetite.

4) Risk management in the Company is based on three protection levels:
   - First line of defense – business units – responsible for risk management in the scope of their activity.
   - Second line of defense – support functions – risk management, compliance and enforcement , control functions etc. The role of those functions is, among others, to ensure that consistent processes are in place to detect, control, monitor and report risks.
   - Third line of defense – internal audit, which is responsible for conducting independent audits of the first and second line of defense.

5) The Company has committees and forums for the management of risks, in addition to forums on various professional issues, led by the CEO and senior management. The risk management committees address: capital management, reserve management, operating risk management, cyber risk management, insurance risk management, and a committee for product development.

The Company applies the principles of Israeli Solvency II, which serve as a basis for assessing the economic capital required for the activity of the Company. In addition, the Board of Directors of the Company approved a risk appetite of 130% of the capital required under Solvency II. Risk appetite is based on an assessment of the Company’s principal risks and scenarios of the risk factors. Risk appetite serves as basis for developing the capital management policy and dividend distribution policy of the Company (see also Note 12 above).

## NOTE 27 - RISK MANAGEMENT (Continued):

### B. Legal requirements

The Commissioner's guidance on risk management are included, among others, in Circular No. 1-9-2014 (Title 5, Part 1, Chapter 10) (hereinafter: "the Consolidated Circular "), which addresses the duties of the risk manager and his/her relationships with other officers in the Company. According to the Consolidated Circular, the main duties of the risk manager are:

- Ensuring that high-quality processes are in place for the detection of material insurance risks, market risks, liquidity risks and counterparty risks inherent in assets and liabilities that may have impact on the financial stability of the entity.
- Quantifying and assessing the potential impact of material risks identified on the financial stability of the entity and on its liability towards policy holders.

  The exposure will be quantified, inter alia, based on scenarios relating to changes in primary risk factors, in particular, as regarding the extent of their effect and their underlying assumptions of correlations and interrelations between risk factors, including extreme scenarios.
- Assessing the risks inherent in new activities or products.
- Presenting to the Board of Directors and the Investment Committee existing and potential risks in investment assets for the establishment and updating of the investment policy.
- Periodically reporting to the Board of Directors, the Investment Committee and the CEO on exposures to risks and their potential impact on the financial stability of the entity.
- Examining, at least one every quarter and at the discretion of the Investment Committee, the correspondence of actual exposures to the risk management policy set by the Board of Directors and the Investment Committee and presenting relevant risk indicators.
- Periodically testing, at least annually, the adequacy, consistency, reliability and validity of the models implemented by him/her, using generally accepted statistical methods, such as back testing.

The Company is subject to additional regulatory requirements concerning risk management in various areas:

- Provisions for the management of specific exposures on: readiness for disaster recovery, management of exposure to reinsurers, prevention of fraud and misappropriation, management of cyber risks, compliance and enforcement, control over financial reporting (SOX), credit risk management. Solvency II, money laundering, protection of privacy, accessibility and more.
- The implementation of the provisions of the Solvency-II economic solvency regime, on the basis of which the Company assesses the economic capital that is required for its operations. As part of the risk management, the Company performs control and assessment of significant business activities from a capital perspective as well, and includes economic capital considerations in the decision-making processes.

The Company has appointed a VP as a risk manager who works to implement regulatory requirements in this area.

**NOTE 27 - RISK MANAGEMENT (Continued):**

**C. Market risks**

The Company's market risks relate to financial assets and liabilities or insurance liabilities. The Company's asset portfolio arises mainly from its insurance activity. Management of proprietary investments is carried out in compliance with the provisions of the law, Company's investment policy, its credit policy and its risk management policy, as set by the Board of Directors and the Investment Committee. Most of the Company's funds are invested in Israel and a small part is invested overseas.

Market risk is the risk that the value or future cash flows of financial assets, financial liabilities, or insurance liabilities will change as a result of unanticipated changes in market prices. Market risks includes, inter alia, risks arising from changes in interest rates, credit spreads, share prices, the CPI, and foreign currencies.

The bond portfolio is managed by two external investment managers. The stock portfolio is invested in passive share instruments. The Company receives investment consulting from a related company.

**1) Market risk sensitivity analyses**

Following is a sensitivity analysis in relation to the impact of change in those factors on profit for the year and comprehensive income (equity). The sensitivity analysis refers to financial assets, financial liabilities and liabilities for insurance contracts as at each reporting date, assuming that all other factors remain constant. Thus, for example, the change in interest rate assumes that all other variables remain unchanged. In addition, it is assumed that said changes do not reflect permanent impairment of assets that are presented at depreciated cost or available-for-sale assets, and consequently, the above sensitivity analysis does not include impairment losses for those assets.

The sensitivity analysis reflects direct impacts only, without secondary impacts. It is further noted that sensitivity is not necessarily linear, and that the impact of larger or smaller changes or larger changes than those described below may not necessarily be derived through a simple extrapolation.

## NOTE 27 - RISK MANAGEMENT (Continued):

### C. Market risks (continued)

#### 1) Market risk sensitivity analyses (continued):

**Data as at December 31, 2023:**

| | Rate of interest (1) | | Investments in equity instruments (2) | | Rate of change in the CPI | | Rate of change in foreign currency exchange rate | |
|---|---|---|---|---|---|---|---|---|
| | +1% | -1% | +10% | -10% | +1% | -1% | +10% | -10% |
| | NIS in thousands | | | | | | | |
| Profit (loss) (3) | **(16,996)** | **17,808** | **8,646** | **(8,646)** | **130** | **(130)** | **8,709** | **(8,709)** |
| Comprehensive income (equity) (4) | **(16,996)** | **17,808** | **8,646** | **(8,646)** | **130** | **(130)** | **8,709** | **(8,709)** |

**Data as at December 31, 2022:**

| | Rate of interest (1) | | Investments in equity instruments (2) | | Rate of change in the CPI | | Rate of change in foreign currency exchange rate | |
|---|---|---|---|---|---|---|---|---|
| | +1% | -1% | +10% | -10% | +1% | -1% | +10% | -10% |
| | NIS in thousands | | | | | | | |
| Profit (loss) (3) | **(14,119)** | **14,185** | **6,931** | **(6,931)** | **1,022** | **(1,022)** | **6,421** | **(6,421)** |
| Comprehensive income (equity) (4) | **(14,119)** | **14,185** | **6,931** | **(6,931)** | **1,022** | **(1,022)** | **6,421** | **(6,421)** |

(1) The sensitivity analysis of the change in interest relates to both fixed-rate instruments and variable-rate instruments. For fixed-rate instruments, the exposure relates to the carrying amount of the instrument; for variable-rate instruments, the exposure relates to the cash flow arising from the financial instrument. The calculation of the sensitivity analysis considers interest changes since the beginning of the year also for assets acquired during the year.

The sensitivity analyses are based on the carrying amount and not the economic value. Accordingly, the sensitivity analyses did not account for asset and liability items with direct interest rate risk at a fixed coupon, as described in Note 27c.2, non-marketable debt instruments in an amount of NIS 123 million (cash and cash equivalents), reinsurance assets, liabilities with respect to insurance contracts and investment contracts, except as stated below, deposits and reinsurance balances.

The impact of 1% increase/decrease in interest rate on comprehensive income for the insurance liability in the sensitivity analysis is estimated at NIS 5,507 / (5,570) thousand (2022- NIS 9,387 / (9,550) thousand).

(2) The primary foreign currency is the dollar, as described in the presentation of assets and liabilities by linkage bases in section c(3) below.

(3) The results of the sensitivity analyses are presented net of the tax effect, in accordance with the tax rate applicable in the reported year.

(4) The sensitivity analyses regarding the comprehensive income also reflect the effect on the profit (loss) for the reported period.

## NOTE 27 - RISK MANAGEMENT (Continued):

### C. Market risks (continued)

#### 2) Direct interest risk

The direct interest risk is the risk that a change in the market interest rate will affect the value of or the cash flow from the asset or liability. This risk relates to assets that are settled in cash. The addition of the word "direct" underscores the fact that the change in the interest rate can also affect other types of assets, but not directly, such as the impact of a change in the interest rate on share prices.

Presented below is a breakdown of the assets and liabilities by exposure to interest risks:

| | Non-profit-participating assets and liabilities as at December 31 | |
|---|---|---|
| | **2023** | **2022** |
| | **NIS in thousands** | |
| **Assets with direct interest risk:** | | |
| Marketable debt instruments | **1,989,353** | 1,817,997 |
| Non-marketable debt instruments: | | |
| Non-marketable bonds | **2,309** | 2,556 |
| Other | **579** | 700 |
| Reinsurance asset | **656,441** | 639,938 |
| Cash and cash equivalents | **143,615** | 35,721 |
| **Total assets with direct interest risk** | **2,792,297** | 2,496,912 |
| **Assets without direct interest risk** | **1,042,536** | 986,541 |
| **Total assets** | **3,834,833** | 3,483,453 |
| **Liabilities with direct interest risk:** | | |
| Liabilities in respect of non-profit-participating insurance contracts | **1,424,975** | 1,348,045 |
| Liabilities for employee retirement obligations | **2,830** | 3,659 |
| Liabilities in respect of reinsurers | **263,130** | 250,593 |
| **Total liabilities with direct interest risk** | **1,690,935** | 1,602,297 |
| **Liabilities without direct interest risk** | **1,277,694** | 1,086,288 |
| **Equity** | **866,204** | 794,868 |
| **Total equity and liabilities** | **3,834,833** | 3,483,453 |
| **Total assets, net of liabilities** | **866,204** | 794,868 |

## NOTE 27 - RISK MANAGEMENT (Continued):

### C. Market risks (continued)

#### 2) Direct interest risk (continued)

Assets without direct interest risk include shares, property and equipment, deferred acquisition costs and other assets as well as groups of balance sheet financial assets with a relatively low interest risk (collectible premiums, current balances of insurance companies and other accounts receivable).

Liabilities without a direct interest risk include liabilities in respect of non-profit-participating insurance contracts, liabilities in respect of deferred taxes, net, liabilities in respect of current taxes and other accounts payable.

#### 3) Breakdown of assets and liabilities of the Company by linkage bases:

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | In NIS - unlinked | In NIS - linked to the CPI | In foreign currency or linked thereto | Non-financial items and other | Total |
| | NIS in thousands | | | | |
| Intangible assets | - | - | - | 29,623 | 29,623 |
| Deferred acquisition costs | - | - | - | 201,967 | 201,967 |
| Property and equipment | - | - | - | 18,623 | 18,623 |
| Reinsurance assets | 34,637 | 679,188 | 47,543 | - | 761,368 |
| Current tax assets | - | 72,696 | - | - | 72,696 |
| Deferred tax assets | - | - | - | - | - |
| Premiums collectible | 141,522 | 141,913 | 18,497 | - | 301,932 |
| Other accounts receivable | 35,026 | 1,747 | 1,821 | 28,722 | 67,316 |
| **Other financial investments:** | | | | | |
| Marketable debt instruments | 1,038,391 | 950,962 | - | - | 1,989,353 |
| Non-marketable debt instruments | 115,161 | 1,808 | - | - | 116,969 |
| Other | - | - | 131,371 | - | 131,371 |
| **Total other financial investments** | 1,153,552 | 952,770 | 131,371 | - | 2,237,693 |
| Other cash and cash equivalents | 119,756 | - | 23,859 | - | 143,615 |
| **Total assets** | 1,484,493 | 1,848,314 | 223,091 | 278,935 | 3,834,833 |
| **Total equity** | | | | 866,204 | 866,204 |
| **Liabilities:** | | | | | |
| Liabilities for non-profit-participating insurance contracts | 608,865 | 1,828,527 | 62,653 | - | 2,500,045 |
| Deferred tax liabilities | | | | 4,501 | 4,501 |
| Retirement benefit obligations | 2,830 | - | - | - | 2,830 |
| Liabilities to reinsurers | 263,130 | - | 25,967 | 23,249 | 312,346 |
| Other accounts payable | 146,769 | - | 2,138 | - | 148,907 |
| **Total liabilities** | 1,021,594 | 1,828,527 | 90,758 | 27,750 | 2,968,629 |
| **Total liabilities and equity** | 1,021,594 | 1,828,527 | 90,758 | 893,954 | 3,834,833 |
| **Total balance sheet exposure** | 462,899 | 19,787 | 132,333 | (615,019) | |

**NOTE 27 - RISK MANAGEMENT (Continued):**

**C. Market risks (continued)**

**3) Breakdown of assets and liabilities of the Company by linkage bases (continued):**

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | In NIS - unlinked | In NIS - linked to the CPI | In foreign currency or linked thereto | Non-financial items and other | Total |
| | NIS in thousands | | | | |
| Intangible assets | - | - | - | 26,625 | 26,625 |
| Deferred acquisition costs | - | - | - | 184,697 | 184,697 |
| Property and equipment | - | - | - | 23,580 | 23,580 |
| Reinsurance assets | 27,888 | 630,985 | 52,883 | - | 711,756 |
| Current tax assets | - | 139,712 | - | - | 139,712 |
| Deferred tax assets | - | - | - | 26,942 | 26,942 |
| Premiums collectible | 112,064 | 112,374 | 14,647 | - | 239,085 |
| Other accounts receivable | 27,230 | 21,633 | 2,864 | 27,053 | 78,780 |
| **Other financial investments:** | | | | | |
| Marketable debt instruments | 872,887 | 944,222 | 888 | - | 1,817,997 |
| Non-marketable debt instruments | 91,231 | 2,013 | - | - | 93,244 |
| Other | - | - | 105,314 | - | 105,314 |
| **Total other financial investments** | 964,118 | 946,235 | 106,202 | - | 2,016,555 |
| Other cash and cash equivalents | 36,589 | - | (868) | - | 35,721 |
| **Total assets** | 1,167,889 | 1,850,939 | 175,728 | 288,897 | 3,483,453 |
| **Total equity** | | | | 794,868 | 794,868 |
| **Liabilities:** | | | | | |
| Liabilities for non-profit-participating insurance contracts | 489,054 | 1,704,200 | 67,790 | - | 2,261,044 |
| Retirement benefit obligations | 3,659 | - | - | - | 3,659 |
| Liabilities to reinsurers | 250,593 | - | 6,844 | 22,056 | 279,493 |
| Other accounts payable | 140,585 | - | 3,531 | - | 144,389 |
| **Total liabilities** | 884,164 | 1,704,200 | 78,165 | 22,056 | 2,688,585 |
| **Total liabilities and equity** | 884,164 | 1,704,200 | 78,165 | 816,924 | 3,483,453 |
| **Total balance sheet exposure** | 283,725 | 146,739 | 97,563 | (528,027) | |

## NOTE 27 - RISK MANAGEMENT (Continued):

### D. Liquidity risk

The Company is exposed to risks stemming from the uncertainty as to the dates in which it would be required to pay claims to policy holders the amounts their claims in proportion to the scope of funds that will be available for that purpose on that date. A potential need to recruit funds unexpectedly and within a short time frame may require disposal of assets over a short-term period and the sale thereof at prices that would not necessarily reflect their market prices. Liquid assets are maintained at the rate set out in Company's related policy.

Out of the total of other financial investments, an amount of NIS 2,121 million relates to marketable instruments that are available for immediate disposal.

**Management of assets and liabilities**

The Company manages its assets and liabilities in accordance with the requirements of regulatory provisions and based on the approved ALM (Asset Liability Management) policy that is based on the reconciliation of assets and liabilities. Based on the risk appetite of the Company, the Investment Committee has set a target for the difference in the average of assets and liabilities, which it regularly monitors.

The tables below present the estimated maturity dates of the amounts of the undiscounted insurance liabilities of the Company.

The estimated maturity dates of the liabilities in respect of general insurance contracts were included in the table as follows:

Insurance liabilities estimated by the Company's actuary - on the basis of an actuarial estimate.

Insurance liabilities in sectors that are not assessed by the actuary.

The estimated maturity dates of the liabilities in respect of life and health insurance contracts were included in the tables on the basis of an actuarial estimate.

Liabilities in respect of life insurance contracts and health insurance contracts

| | Up to one year | Between 1 and 5 years | Between 5 and 10 years | Between 10 and 15 years | More than 15 years | No fixed maturity date | Total |
|---|---|---|---|---|---|---|---|
| | NIS in thousands | | | | | | |
| December 31, 2023 | **107,609** | **74,462** | **1,538** | **37** | **8,522** | **-** | **192,168** |
| December 31, 2022 | 104,713 | 69,044 | 1,468 | 9 | 7,362 | - | 182,596 |

Liabilities in respect of general insurance contracts

| | Up to one year | Between 1 and 3 years | Between 3 and 5 years | More than 5 years | No fixed maturity date | Total |
|---|---|---|---|---|---|---|
| | NIS in thousands | | | | | |
| December 31, 2023 | **1,086,359** | **518,251** | **310,528** | **360,597** | **32,142** | **307,877** |
| December 31, 2021 | 973,289 | 465,156 | 283,176 | 331,304 | 25,523 | 2,078,448 |

## NOTE 27 - RISK MANAGEMENT (Continued):

### E. Insurance risks

The business managers of the various insurance segments manage the insurance risks subject to the risk management policy approved by the Board of Directors, among others, by issuing guidelines for underwriting, acceptance of business and authorization hierarchies, as well as by transferring risks to reinsurers under contracts or by way of facultative insurance policies, in accordance with the retention policy approved by the Board of Directors.

As part of the development of new products and before engaging in material transactions, a comprehensive process is performed for identifying and evaluating the risks associated with the product or the transaction, and methods are established for their management and control. In the event of a suspected deterioration in the underwriting results that does not originate in random fluctuations, in-depth tests are conducted, inter alia, to assess the inherent risk, and if necessary, the assessment of insurance liabilities is adjusted and the underwriting policy is reviewed.

Additionally, in order to reduce the exposure to risks, the Company implements a stringent evaluation policy for claims, including ongoing evaluation of claim handling processes and investigations for the detection of fraud. The Group also employs an active policy for the current management of claims, in order to reduce the exposure to unexpected developments that may adversely affect it.

The Company's policy is to limit the exposure to catastrophes by stipulating maximum coverage amounts and by acquiring adequate reinsurance coverage. One of the objectives of the underwriting reinsurance policy is to limit the exposure to catastrophes to a predetermined estimated maximum loss, with reference to a given probability, based on models and/or studies, and in accordance with the risk appetite of the Company, as determined by the Board of Directors. The overall quantitative assessment of the exposure to insurance risks is performed based on the provisions of the economic solvency regime, which includes an evaluation of extreme scenarios for various risk categories and an evaluation of overall risk, in consideration of the correlations between them.

The actuary units conduct studies, exposure analyses and periodic evaluations of risk factors, such as: profitability tests for the operating segments, mortality and morbidity studies, premium deficiency reserves and exposure to earthquakes. These analyses serve both as a basis for risk assessment, using statistical indicators and sensitivity tests, in collaboration with the risk management unit, and as a part of the system of control over insurance activities.

The Company assesses its exposure to earthquake risk in Israel, which is the primary catastrophic event to which it is exposed, using international models, and acquires protection against this risk based on this assessment.

The insurance risks include, inter alia, the following:

Underwriting risks: The risk that erroneous pricing would be used as a result of deficiencies in the underwriting process and of the differences between the risk at the time of pricing and determining the premium and actual events, so that the premiums that are collected are not sufficient to cover future claims and expenses. The differences may arise from incidental changes in the business results and from changes in the cost of the average claim and/or the frequency of the claims due to various factors.

## NOTE 27 - RISK MANAGEMENT (Continued):

### e. Insurance risks (continued):

Reserve risks: The risk of an erroneous estimation of the insurance liabilities that could entail actuarial reserves that are insufficient to cover all the liabilities and claims. The actuarial models that the Company uses, inter alia, in assessing its insurance liabilities are based on the assumption that the pattern of behavior and claims in the past is indicative of future events. The Company's exposure is composed of the following risks:

- Model Risk – the risk of electing an erroneous model of pricing and/or for the assessment of the insurance liabilities.
- Parameter risk – the risk of use of erroneous parameters, including the risk that the amount payable for settlement of the insurance liabilities of the Company or the date of the settlement of the insurance liabilities would differ from the expected amount or date.
- Systemic risk: the risk of an unexpected future change in profitability trend in a calendar year.

Catastrophe risk: Exposure to the risk that a single event of extensive effect (a catastrophe) such as natural catastrophe, war, terrorism, fire or outbreak, would cause an accumulation of damages of extensive scope. The material catastrophic event to which the Company is exposed in Israel is an earthquake.

The amount of the loss expected in the general insurance business as a result of the exposure to a single extensive damage or accumulation of damages due to a large-scale event at a maximum possible loss (MPL) probability of 0.34% is NIS 380 million (gross) and NIS 30 million (self-retention). This rate is computed in accordance with Company's internal models

The maximum expected rate of damage used in calculating catastrophe risk in general insurance as part of the Company’s economic solvency regime (Solvency II) computation is 2.25%. The expected loss in the general insurance business from exposure to an extensive single damage or accumulation of damages for a large-scale event at a maximum possible loss (MPL) probability of 2.25% is NIS 3,462 million (gross) and NIS 347 million (self-retention).

As to data regarding the various insurance products in respect of which the insurer is exposed to an insurance risk, see the breakdown of the insurance liabilities by insurance risk in Note 4 - Additional Data for the General Insurance Segment, and the breakdown of assets and liabilities in respect of life insurance contracts by insurance exposure, and in Note 16 - Breakdown of Liabilities in respect of Insurance Contracts in the Health Insurance Segment.

## NOTE 27 - RISK MANAGEMENT (Continued):

### E. Insurance risks (continued):

#### 1. Insurance risk inherent in life insurance contracts

**General**

Presented below is a description of the various insurance products and the assumptions used in computing the liabilities related to those products, by type of product. In general, in accordance with the Commissioner's instructions, the insurance liabilities are computed by an actuary, based on generally accepted actuarial methods. The liabilities are computed in accordance with the relevant coverage data, such as age and sex of the policy holder, the period of insurance, the date of commencement of the insurance, the type of the insurance, periodic premium and the amount of insurance.

**Actuarial methods used in computing the insurance liabilities**

- The "individual personal accidents" plans include pure-risk products (death, severe illness, disability as a result of an accident, death as a result of an accident, permanent disability) that are sold as independent policies or attached to independent policies. For those plans, the liability is computed on an actuarial basis. The computation is based on the "Gross Premium Reserve" method that includes in the expected proceeds all premium components and discounts the anticipated expenses and commissions, standardized with prudence.
- The liability in respect of pending claims in life insurance mainly include provisions for pending claims for risks of death and disability, and a provision for IBNR.
- The computation is made on a gross basis. The share of reinsurers is computed based on the agreements.

**Main assumptions used in computing insurance liabilities**

1) Discount rate

In the life insurance segment, which comprises pure risk products with fixed premium, the discount rate used is of 0.64%.

2) Mortality and morbidity rates

a) The mortality rates used to compute the insurance liabilities under life insurance policies in respect of mortality of policy holders were determined on the basis of studies conducted by reinsurers in combination with the mortality history studies performed by the Company.

b) The morbidity rates refer to the frequency of claims in respect of permanent disability on the basis of studies conducted by reinsurers.

**Sensitivity analyses in life insurance as at December 31, 2023 (NIS in thousands):**

| | Morbidity and mortality rate | |
|---|---|---|
| | **+10%** | **-10%** |
| Profit (loss) | (1,805) | 1,083 |

**NOTE 27 - RISK MANAGEMENT (Continued):**

**E. Insurance risks (continued):**

**2. Insurance risk inherent in health personal accident contracts**

**General**

Set forth below is the description of the various insurance contracts and the assumptions used for computation of the liabilities related to those products, based on the type of the product. In general, based on the supervisor's instructions, the insurance liabilities are computed by an actuary, based on accepted actuarial methods and consistently with previous year. The liabilities are computed in accordance with the relevant coverage data, such as age and sex of the insured person, the period of insurance, the date of commencement of the insurance, the type of the insurance, periodic premium and the amount of insurance.

**Actuarial methods used in computing the insurance liabilities**

- The "individual personal accidents" plan includes pure-risk products (death as a result of an accident, disability as a result of accident) that are sold as independent policies. For this plan, the liability is computed on an actuarial basis. The computation is based on the "Gross Premium Reserve" method, which includes in the expected proceeds all the premium components and discounts the expected expenses and commissions.
- The liability in respect of pending claims relating to health and personal accidents mainly include provisions for pending claims for risks of death as a result of an accident, severe illnesses and disability as a result of an accident and a provision for IBNR. For the personal accidents sectors - both individual and collective – “Link Ratio” models were set up on the basis of the accumulated cost of the claims (payments of the claims with the addition of specific assessments and the average cost per claim. The models are settled annually upon the development of quarterly damages. Cost drivers were calculated to optimize the estimation.
- This estimate includes a conservativism factor to bring the provision in the account to a prudence level of 75%.
- The computation is made on a gross basis. The share of reinsurers is computed based on the agreements.

**Main assumptions used for the calculation of insurance liabilities:**

- In January 2015, the Commissioner published a position – "Best Practice for Calculation of General Insurance Reserves for Financial Reporting". The Commissioner’s position includes, among others, explanations for the principles: professionalism, consistency, and prudence, which have not been previously defined in General Insurance Actuarial Assessment Circular 2015-1-1. The principle of prudence requires an actuary to verify that assessments in liability sectors are tuned to a probability of at least 75%. In addition, the Commissioner’s opinion also addresses liability cash flow discount rates for optimal assessments.
- According to the position of the Commissioner, for purposes of pending claims in compulsory and liability sectors and the “reasonable probability” that reserves will be sufficient to cover the insurer’s liabilities will aim for an estimated probability of at least 75%.
- The Company implements the Reserve/Premium Risk Statistical Model (hereinafter: "the RPS model"), which is implemented by the AIG Group worldwide, in order to determine stochastically the 75th percentile estimate.

## NOTE 27 - RISK MANAGEMENT (Continued):

### E. Insurance risks (continued):

### 2. Insurance risk inherent in health personal accident contracts (continued)

**Main assumptions used for the calculation of insurance liabilities (continued)**

1) Discount rate

In the “personal accidents – individual” sector, the gross premium reserve is computed on the basis of a risk-free interest rate.

2) Morbidity and mortality rates

Morbidity rates refer to the frequency of claims relating to morbidity resulting from disability and accidents and to accidental death. These rates were determined based on the Company's past experience. The higher the assumption regarding the morbidity rate, the higher the insurance liability for morbidity resulting from disability and accidents and for accidental death.

3) Cancellation rates

The rate of cancellations affects the insurance liabilities in respect of certain types of health insurance. Insurance contracts can be cancelled by the Company due to unpaid premiums or at the request of the owner of the policy. The assumptions as to the rates of cancellation are based on the Company's past experience based on the type of the product, the estimated useful life of the product and sales trends. A 10% increase or decrease in the cancellations assumption has no material effect on the profit, since the gross premium reserve is relatively small.

**Sensitivity analysis for health insurance and personal accidents insurance as at December 31, 2023 (NIS in thousands):**

| | Cancellation rate (withdrawals, settlements and reductions) | | Morbidity and mortality rate | |
|---|---|---|---|---|
| | +10% | -10% | +10% | -10% |
| Profit (loss) | 132 | (500) | (5,820) | 3,385 |

### 3. Insurance risk in general insurance contracts

**Summary of the main insurance sectors in which the Company operates**

The Company writes insurance contracts in the field of general insurance, mainly in the vehicle property insurance, compulsory vehicle insurance, home insurance, liability insurance and property insurance sectors.

Compulsory vehicle insurance covers the policy holder and the driver for any liability they may arise a result of the provisions of the Road-Accident Victims’ Compensation Law, 1975, for personal injury caused as a result of the use of a motor vehicle to the driver, the passengers or pedestrians hit by the vehicle. Compulsory vehicle insurance claims are characterized by a long tail, i.e., sometimes a long period of time elapses from the occurrence of the event to the final settlement of the claim.

**NOTE 27 - RISK MANAGEMENT (Continued):**

**E. Insurance risks (continued):**

**3. Insurance risk in general insurance contracts (continued)**

**Summary of the main insurance sectors in which the Company operates (continued)**

Liability insurance policies are designed to cover the liability of a policy holder for any damage that he may cause to a third party. The main types of insurance are: liability to a third party, liability of employers, other liability insurances such as professional liability, product liability and directors' and officers' liability. The timing of the filing of the claims and the settlement thereof is affected by several factors, such as the type of coverage, the terms of the policy, and legislation and legal precedents. Normally, the claims in the liability sector are characterized by a long tail. i.e., sometimes a long period of time elapses from the occurrence of the event to the final settlement of the claim.

Vehicle damage insurance and-third party vehicle property insurance grant the policy holder coverage for property damage. The coverage is usually limited to the value of the damaged vehicle. The tariff for vehicle damage insurance, and the policy as a whole, are subject to approval by the Commissioner. The tariff is an actuarial tariff and partially differential (varies between policy holders and adjusted for the risk). The tariff is based on several parameters, relating both to the vehicle insured under the policy (e.g. type of vehicle, year of manufacture etc.) and to the attributes of the policy holder (age of the driver, claims history etc.). The underwriting procedure is partly performed through the tariff itself and partly based on a system of procedures that are designed to examine the claims history of the policy holder, including the presentation of a no-claim certificate from a previous insurer (for the three preceding years), presentation of an up-to-date certificate of protection etc. These procedures are automatically included in the policy issuance process. Vehicle damage insurance policies are generally issued for a one-year period. Also, in most cases, claims in respect of these policies are resolved close to the occurrence of the insurance event.

Property insurance policies are designated to provide the policy holder coverage against physical damage to his property and loss of profits due to the damage caused to his property. The main risks covered by property insurance policies are fire, explosion, burglary, earthquake and natural catastrophe. The property insurance policies may include coverage for loss of profits originating in physical damage to property. Property insurance constitutes an important part of home insurance, business insurance, engineering insurances, freight in transit (marine, land, air) etc. Claims regarding those policies are generally resolved close to the occurrence of the insurance event.

**Principles of computation of the actuarial assessment in general insurance**

a) The liabilities in respect of general insurance contracts include the following components:
   - Optimized estimation of pending claims
   - Conservativism addition to the 75% percentile
   - Provision for unearned premium
   - Provision for indirect expenses

## NOTE 27 - RISK MANAGEMENT (Continued):

### E. Insurance risks (continued):

### 3. Insurance risk in general insurance contracts (continued)

**Principles of computation of the actuarial assessment in general insurance (continued)**

b) In January 2015, Insurance Circular "Actuarial Assessment in General Insurance" was published. The provisions of this circular are designated to improve the quality of assessment liabilities in respect of general insurance contracts (hereinafter: “Insurance Reserves”), which are pivotal to the assessment of the liabilities of the insurer, and regulate the inclusion in the financial statements of a professional opinion by an appointed actuary (hereinafter: “Actuary”) in relation to the assessment of those insurance liabilities. This circular states the scope of actuarial assessment that the general insurance Actuary needs to perform, the actuarial report required of the Actuary and a declaration that the Actuary is required to sign, which is to be attached to the financial statements.

c) In January 2015, the Commissioner published a position, "Best Practice for Calculation of General Insurance Reserves for Financial Reporting" (hereinafter: "the Commissioner’s Opinion"). The Commissioner’s Opinion includes, among others, clarifications of the principles: professionalism, consistency, and prudence, which have not been previously defined in General Insurance Actuarial Assessment Circular 2015-1-1. The principle of prudence requires an actuary to verify that assessments in liability sectors are tuned to a probability of at least 75%. In addition, the Commissioner’s Opinion also addresses liability cash flow discount rates for optimal assessments.

d) In accordance with the guidelines of the Commissioner, pending claims are computed by an actuary based on generally accepted actuarial methods, initially according to the optimal assessment and thereafter with the requisite addition for reaching the 75th percentile. The election of the actuarial method appropriate for each insurance sector and for each year of event/underwriting is made using discretion as to the extent of the method’s suitability to the sector and, occasionally, using a combination of the various methods. The assessments are primarily based on past experience of the development of payments for claims and/or developments in the amount of payments and specific assessments. The assessments include assumptions regarding the cost of an average claim or the loss ratio. Further assumptions may relate to changes in rates of interest, exchange rates and the timing of payments. The payments of the claims include direct and indirect expenses for settlement of claims, net of subrogation and deductibles.

e) The use of actuarial methods that are based on the development of claims is mainly appropriate when there is stable and satisfactory information regarding payments of claims and/or specific assessments to assess the total anticipated cost of claims. Where the information available for actual claim experience is insufficient, the actuary may use a computation weighting a known estimate (in the Company and/or the sector), such as loss ratio, and the development of actual claims. Greater weight is given to the assessment that is based on experience as time elapses and further data is accumulated regarding the claims.

**NOTE 27 - RISK MANAGEMENT (Continued):**

**E. Insurance risks (continued):**

**3. Insurance risk in general insurance contracts (continued)**

**Principles of computation of the actuarial assessment in general insurance (continued)**

f) Also included are qualitative assessments and discretion as to the extent that past trends would not continue in the future. For example, due to a non-recurring event, internal changes, such as a change in the mix of the portfolio, the underwriting policy and procedures, as well as due to the effects of external factors such as legal rulings, legislation, etc. When changes as above are not fully reflected in the past experience, the actuary updates the models and/or makes specific provisions based on statistical and/or legal assessments, as appropriate.

g) For large claims of a non-statistical nature, the provision is determined (gross and retained) based on an opinion issued by Company's experts and in accordance with the recommendations of its legal advisors.

h) The share of the reinsurers in the pending claims is estimated taking into account the type of the agreement (proportionate/disproportionate), actual claim experience and the premium transferred to reinsurers.

i) The assessment of the pending claims in respect of the Company's share in the pool was based on a computation performed by the pool.

k) An examination is performed of the recoverability of the deferred acquisition costs and the cost of future claims, including other expenses related to the handling of the policy and claims.

**Breakdown of actuarial methods in the principal insurance sectors**

**a) Vehicle property insurance**

In the vehicle property sector, liabilities are computed based on the development of the claim payments and the development in payment amounts and the specific assessments, with reference to the types of coverage, such as comprehensive/third-party coverage, and the types of damages such as self-damage/third-party/theft/total loss. For the last months of damage, in respect of which there is insufficient data, the average method is also used to determine the cost of claim per policy.

**b) Compulsory vehicle insurance**

In the compulsory vehicle sector, liabilities are computed based on the development of payments, and the development in payments and pending claims in respect of smaller claims (up to the excess point in the reinsurance contract). Liabilities above the excess point are computed using actuarial models that are based on development of frequency, multiplied by severity. The share of the reinsurer in the excess of loss claims is calculated using a model for larger claims and based on actual larger claims.

**NOTE 27 - RISK MANAGEMENT (Continued):**

**E. Insurance risks (continued):**

**3. Insurance risk in general insurance contracts (continued)**

**Breakdown of actuarial methods in the principal insurance sectors (continued)**

**c) Liability insurance**

In the liability sector, liabilities are computed based on the development of identified claims. For periods in respect of which there is insufficient data, the cost of claims is computed using the loss ratio method. For large claims, the specific assessments of the claims department are also taken into account.

**d) Other property insurance**

In the other property sectors, liabilities are computed based on the development of the claim payments and/or the development in the payments and pending claims, with the exception of coverage of water damage (pursuant to the Plumbers Circular) in home insurance, for which assessments were based on frequency and severity due to lack of data.

**e) Assessment of indirect claim handling expenses**

The indirect expense element in paid claims is calculated by the Finance Division. Those expenses include all costs of the Claims Department and an allocation of indirect expenses of the Company that are attributable to the settlement of claims (these include IT expenses, HR, depreciation and finance).

The unallocated loss adjustment expense (ULAE) factor is based on the historical ratio of payments not allocated to claims to claims paid in recent calendar years. The ULAE reserve was computed assuming one half the cost of settling a claim is incurred upon opening a file and the remainder upon closing it.

In view of the different scale and nature of the claims in the commercial sectors and the private insurance sectors, a separate calculation of the ULAE reserve is performed for those segments.

The ULAE reserve was allocated by accident-year proportional to the unpaid indemnity reserves held, by accident-year.

**f) Principal assumptions taken into account in the actuarial assessment**

- According to the Commissioner's position, as published in a circular on January 15, 2015, as from the end of 2015, for pending claims in compulsory and liability sectors, the test as to whether it is fairly likely that reserves will be sufficient to cover the liabilities of the insurer will ai, for a probability estimate of at least 75%
- The conservativism margin was obtained using stochastic models that estimate the volatility in claim experience. Those models also estimate random and systemic risks.

## NOTE 27 - RISK MANAGEMENT (Continued):

### E. Insurance risks (continued):

### 3. Insurance risk in general insurance contracts (continued)

**f) Principal assumptions taken into account in the actuarial assessment (continued)**

- The Company implements the Reserve/Premium Risk Statistical Model ("the RPS model"), which is implemented by the AIG Group worldwide, in order to determine stochastically the 75th percentile estimate.
- Due to a positive risk-free curve, the discounted best estimate provisions are smaller than the undiscounted best estimate provisions.
- Provisions of Insurance Circular 2022-1-4 concerning the evaluation of the non-liquidity premium that is added to the risk-free interest rate in the measurement of liabilities. This circular, published on February 17, 2022, is applicable commencing in the financial statements as at December 31, 2021. The effect on the liabilities of the Company is as follows:

Compulsory vehicle insurance:

- The total discount effect on the reserve in retention, after implementing the provisions of Circular 2022-1-4, is NIS 9.6 million, in retention, as compared to NIS 7.9 million in retention in 2022.

Commercial liability

The effect of the change in the liability sector following the implementation of the provisions of Circular 2022-1-4 is NIS 0.7 million in retention, as compared to NIS 7.9 million in retention in 2022.

**g) Discount interest rate applicable to annuities**

In 2019, the Kaminitz Committee (an inter-ministerial committee established for the purpose of reviewing the discount interest rate applicable to compensation for personal injury under damages) published its final report. Among others, the report reexamines the National Insurance Regulations (Discounting) (Amendment), 2016, which had reduced the discount interest rate to 2%. As part of the aforesaid final report, the Committee recommended, inter alia, the reinstatement of the discount interest rate to 3%. In the same year, the Supreme Court also issued a ruling (Appeal 3751/17 The Israeli Vehicle Insurance Pool vs. Anonymous), which determines inter alia that, pending a legislation amendment, the updating mechanism provided for by the Kaminitz Committee should be adopted, and that the discount rate will remain at 3%.

## NOTE 27 - RISK MANAGEMENT (Continued):

### E. Insurance risks (continued):

### 3. Insurance risk in general insurance contracts (continued)

#### g) Discount interest rate applicable to annuities (continued)

On October 10, 2020, the court rejected a motion for an additional discussion (ACD 6370/19) of the ruling concerning the discount rate for compensation in respect of personal injury under damages applicable to the National Insurance Institute in subrogation claims, thereby preserving the existing discount rate of 3%.

#### h) Provision for premium deficiency

Further to the improvement in the underwriting results, the balance of the provision for premium deficiency totaled NIS 27 million at the end of 2023, as compared to a balance of NIS 46 million in 2022. The provision stems from the adverse development in claims' experience in the vehicle insurance sector in the Company.

### F. Credit risk data:

Credit risk arises from exposure to decrease in the quality of credit or default of borrowers as a result of deterioration of their financial strength. Investments in bonds, capital notes and deposits of companies are mainly rated A or above, representing a relatively low credit risk.

Acquisition of bonds is performed after thorough analysis of the investment based on the criteria and credit policy approved by the Investments Committee. Debts are regularly monitored, with special attention to problem debts. Once a quarter, the Company holds a problem debt forum, which is tasked with assessing the status of debt. The purpose of the forum is to discuss sensitive/problem debt, including in cases of rating downgrades.

The decision on the means to be taken to handle such debt is made by the functions who are authorized to decide on the handling of problem debts. A periodic report on this matter is submitted to the Investments Committee of the Company.

#### 1) Details of debt instruments by location

As of December 31, 2023 and 2022, the Company has no marketable and non-marketable debt instruments abroad, see note 10.

## NOTE 27 - RISK MANAGEMENT (Continued):

### F. Credit risk data (continued):

### 2) Breakdown of assets by ratings:

a. **Debt instruments** (excluding cash and cash equivalents, premiums collectible and other receivables)

b.

| | Domestic rating | | | |
|---|---|---|---|---|
| | December 31, 2023 | | | |
| | AA- and above | BBB through A+ | Not rated | Total |
| | NIS in thousands | | | |
| Debt instruments in Israel | | | | |
| Marketable debt instruments: | | | | |
| Government bonds | **875,655** | **-** | **-** | **875,655** |
| Corporate bonds | **876,347** | **237,351** | **-** | **1,113,698** |
| **Total marketable debt instruments in Israel** | **1,752,002** | **237,351** | **-** | **1,989,353** |
| Non-marketable debt instruments: | | | | |
| Corporate bonds | **1,229** | **1,080** | **-** | **2,309** |
| Loans and receivables, excluding bank deposits | **114,081** | **-** | **-** | **114,081** |
| Deposits with banks and financial institutions | **579** | **-** | **-** | **579** |
| **Total non-marketable debt instruments in Israel** | **115,889** | **1,080** | **-** | **116,969** |
| **Total domestic debt instruments** | **1,867,891** | **238,431** | **-** | **2,106,322** |

Debt instruments abroad

As at December 31, 2023, the Company has no debt instruments overseas.

| | Domestic rating | | | |
|---|---|---|---|---|
| | December 31, 2022 | | | |
| | AA- and above | BBB through A+ | Not rated | Total |
| | NIS in thousands | | | |
| Debt instruments in Israel | | | | |
| Marketable debt instruments: | | | | |
| Government bonds | 559,822 | - | - | 559,822 |
| Corporate bonds | 941,627 | 316,548 | - | 1,258,175 |
| **Total marketable debt instruments in Israel** | 1,501,449 | 316,548 | - | 1,817,997 |
| Non-marketable debt instruments: | | | | |
| Corporate bonds | 1,313 | 1,297 | - | 2,610 |
| Loans and receivables, excluding bank deposits | 89,934 | - | - | 89,934 |
| Deposits with banks and financial institutions | 700 | - | - | 700 |
| **Total non-marketable debt instruments in Israel** | 91,947 | 1,297 | - | 93,244 |
| **Total domestic debt instruments** | 1,593,395 | 317,845 | - | 1,911,241 |

Debt instruments abroad

As at December 31, 2022, the Company has no debt instruments overseas.

## NOTE 27 - RISK MANAGEMENT (Continued):

### F. Credit risk data (continued):

#### 2) Breakdown of assets by ratings (continued):

**b. Credit risk in respect of other financial assets (in Israel)**

| | Domestic rating | | |
|---|---|---|---|
| | December 31, 2023 | | |
| | A and above | Not rated | Total |
| | NIS in thousands | | |
| Accounts receivable - excluding balances of reinsurers | **-** | **339,704** | **339,704** |
| Cash and cash equivalents | **143,615** | **-** | **143,615** |
| | **143,614** | **339,704** | **483,319** |

| | Domestic rating | | |
|---|---|---|---|
| | December 31, 2022 | | |
| | A and above | Not rated | Total |
| | NIS in thousands | | |
| Accounts receivable - excluding balances of reinsurers | - | 291,195 | 291,195 |
| Cash and cash equivalents | 35,721 | - | 35,721 |
| | 35,721 | 291,195 | 326,916 |

#### 3) Additional data regarding credit risks:

a. Different scales are used for the rating of debt instruments in Israel and abroad. It should be noted that, in accordance with Capital Market Circular 2008-6-1, regarding the publication of a mechanism for conversion of the Israeli rating scale to the international rating scale, the Commissioner instructed that, through January 1, 2009, the rating companies that have been authorized by the Commissioner of Capital Market, Insurance and Savings to operate as a rating company pursuant to Capital Market Circular 2004/1 are to publish a mechanism for the conversion of the Israeli rating into the international rating.

b. As to balances with reinsurers, see Note 13. See also Note 27f(5)(3).

## NOTE 27 - RISK MANAGEMENT (Continued):

### F. Credit risk data (continued):

**4) Breakdown of exposure to investments in marketable and nonmarketable financial debt instruments, by industry:**

| | December 31, 2023 | |
|---|---|---|
| | Balance sheet credit risk | |
| | Amount | % of total |
| | NIS in thousands | |
| Industry | | |
| Construction and real estate | **360,334** | **17.1** |
| Defense | **20,577** | **1.0** |
| Banking | **251,911** | **12.0** |
| Investments and holdings | **31,773** | **1.5** |
| Communications | **87,644** | **4.2** |
| Commerce | **73,128** | **3.5** |
| High-tech | **19,363** | **0.9** |
| Production industry | **42,693** | **2.0** |
| Insurance and financial services | **36,736** | **1.7** |
| Other business services | **55,005** | **2.6** |
| Energy | **133,179** | **6.3** |
| Hospitality and tourism | **4,243** | **0.2** |
| | **1,116,586** | **53.0** |
| Loans to individuals | **114,081** | **5.4** |
| Government bonds | **875,655** | **41.6** |
| **Total** | **2,106,322** | **100.0** |

| | December 31, 2022 | |
|---|---|---|
| | Balance sheet credit risk | |
| | Amount | % of total |
| | NIS in thousands | |
| Industry | | |
| Construction and real estate | 416,597 | 21.9 |
| Defense | 8,846 | 0.5 |
| Banking | 274,152 | 14.3 |
| Investments and holdings | 58,742 | 3.1 |
| Communications | 92,301 | 4.8 |
| Commerce | 69,495 | 3.6 |
| High-tech | 19,874 | 1.0 |
| Production industry | 70,713 | 3.7 |
| Insurance and financial services | 59,569 | 3.1 |
| Other business services | 70,834 | 3.7 |
| Energy | 117,103 | 6.1 |
| Hospitality and tourism | 3,260 | 0.2 |
| | 1,261,486 | 66.0 |
| Loans to individuals | 89,933 | 4.7 |
| Government bonds | 559,822 | 29.3 |
| **Total** | 1,911,241 | 100.0 |

## NOTE 27 - RISK MANAGEMENT (Continued):

### F. Credit risk data (continued):

#### 5) Reinsurance

The Company's insures some of its businesses by means of reinsurance (mostly with global AIG Corporation companies, which are related parties of the Company). However, the reinsurance does not relieve the direct insurers of their obligations towards their policy holders under the insurance policies.

The Company is exposed to risks arising from uncertainty as to the ability of the reinsurers to pay their share in the liability in respect of insurance contracts (the reinsurance assets) and their obligations in respect of claims paid. This exposure is managed by currently monitoring the reinsurer's position in the global market as well as the reinsurer's the fulfillment of its financial obligations.

Pursuant to the guidelines set by the Commissioner, annual reports are submitted to the Board of Directors as to the maximum levels of exposure to the reinsurers with which the Company has entered (or will enter) into reinsurance agreements; such levels are based on the reinsurers' international rating. Those exposures are managed by individual assessment of reinsurers the exposure with respect to which is significant, including monitoring and development of risk-level indicators for all reinsurers with which the Company engages. Additionally, the exposure of the Company is primarily to reinsurers with high international ratings.

## NOTE 27 - RISK MANAGEMENT (Continued):

### F. Credit risk data (continued):

#### 5) Reinsurance (continued):

**1.** In 2022 and 2023, most of the Company's general insurance contracts were with the following insurance companies, as follows:

- ("NHIC") New Hampshire Insurance Company
- ("NUFIC") National Union Fire Insurance Company of Pittsburgh, PA
- ("AHAC") American Home Assurance Company

The above-mentioned companies are global AIG Corporation companies and are related parties of the Company. For further details on balances and transactions with related parties, see Note 28. The said companies have been granted an A+ rating by S&P.

In the property insurance sector, in 2023 the Company also engaged with other companies in a facultative fixed reinsurance agreement - a Quota Share agreement. These companies are Munich Re, rated AA- by S&P, Sompo International, rated A- by S&P, and Hannover Re, rated AA- by S&P.

**2.** Until 2019, most of the Company’s life insurance contracts were with the following insurance companies:

- Swiss Re, rated AA- by S&P.
- Partner Re, rated A+ by S&P.

**2.** Since 2019, most of the Company’s life insurance contracts were with Swiss Re.

## NOTE 27 - RISK MANAGEMENT (Continued):

### F. Credit risk data (continued):

#### 5) Reinsurance (continued):

**3. Information regarding the exposure to credit risks**

**As at December 31, 2023:**

| Rating group | Total premiums to reinsurers | Net debit (credit) balances | Reinsurance assets | | | Deposits by reinsurers | Total exposure | Debts overdue | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Life insurance | Property insurance ** | Liability insurance | | | 0.5-1 year | More than 1 year |
| **AA- or above** | | | | | | | | | |
| GEN RE | 558 | (148) | 150 | - | - | (162) | (160) | - | - |
| SWISS RE | 32,046 | (3,008) | 14,752 | - | - | (12,818) | (1,074) | - | - |
| Other | 11,877 | (3,125) | | 964 | | | (2,161) | | |
| | 44,511 | (6,281) | 14,902 | 964 | - | (12,980) | (3,3958) | - | - |
| **A** | | | | | | | | | |
| Partner Reinsurance Co. Ltd. | 2,456 | (437) | 1,201 | - | - | (981) | (217) | - | - |
| AHAC * | 17,587 | (1,675) | - | 9,141 | 63,153 | (24,917) | 45,702 | - | - |
| NUFIC * | 137,582 | (13,135) | - | 71,294 | 492,596 | (194,353) | 356,402 | - | - |
| NHIC * | 21,104 | (2,010) | - | 10,969 | 75,784 | (29,900) | 54,843 | - | - |
| Other companies in the AIG global corporation* | 16,064 | (559) | - | 21,019 | - | - | 20,460 | - | - |
| Other | 7,142 | (1,049) | - | 345 | - | - | (704) | - | |
| | 201,935 | (18,865) | 1,201 | 112,768 | 631,533 | (250,151) | 476,486 | - | - |
| **Total** | **246,446** | **(25,146)** | **16,103** | **113,732** | **631,533** | **(263,131)** | **473,091** | **-** | **-** |

* Global AIG Corporation companies that are related parties of the Company.

** Also includes reinsurance assets of the health insurance sector in the amount of NIS 3,495 thousand (see Note 13).

## NOTE 27 - RISK MANAGEMENT (Continued):

### F. Credit risk data (continued):

#### 5) Reinsurance (continued):

**3. Information regarding the exposure to credit risks**

**As at December 31, 2022:**

| Rating group | Total premiums to reinsurers | Net debit (credit) balances | Reinsurance assets | | | Deposits by reinsurers | Total exposure | Debts overdue | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Life insurance | Property insurance ** | Liability insurance | | | 0.5-1 year | More than 1 year |
| **AA- or above** | | | | | | | | | |
| GEN RE | 616 | (160) | 220 | | - | (186) | (126) | - | - |
| SWISS RE | 36,753 | (1,904) | 14,514 | 685 | - | (11,832) | 1,463 | - | - |
| Other | 4,783 | (1,303) | | 429 | | | (874) | | |
| | 42,152 | (3,367) | 15,734 | 1,114 | - | (12,018) | 463 | - | - |
| **A** | | | | | | | | | |
| Partner Reinsurance Co. Ltd. | 2,833 | 295 | 3,488 | - | - | (1,132) | 2,651 | - | - |
| AHAC * | 16,237 | (269) | - | 8,814 | 58,721 | (23,744) | 43,522 | - | - |
| NUFIC * | 126,989 | (2,159) | - | 68,751 | 458,022 | (185,206) | 339,408 | - | - |
| NHIC * | 19,484 | (322) | - | 10,576 | 70,465 | (28,493) | 52,226 | - | - |
| Other companies in the AIG global corporation* | 12,545 | 1,001 | - | 17,071 | - | - | 18,072 | - | - |
| Other | 52 | (57) | - | - | - | - | - | - | |
| | 178,140 | (1,454) | 3,488 | 105,212 | 587,208 | (238,575) | 455,879 | - | - |
| **Total** | **220,292** | **(4,821)** | **18,222** | **106,326** | **587,208** | **(250,593)** | **456,342** | **-** | **-** |

* Global AIG Corporation companies that are related parties of the Company.

** Also includes reinsurance assets of the health insurance sector in the amount of NIS 1,751 thousand (see Note 13).

**NOTE 27 - RISK MANAGEMENT (Continued):**

**G. Operating risks**

Operating risks could result in financial losses, damage to reputation, regulatory breaches, reduced operating efficiency, failure to achieve targets etc. The exposures could stem from deficiencies in or inadequacy of internal processes, human error, IT-system malfunction, regulatory non-compliance, or as a result of external events. In order to reduce the exposure to operating risks, the Company works to minimize the material risks mapped for the organization and performs risk assessments of specific processes in the business units.

The mechanism for the management of operating risks in the Company follows a prescribed methodology for the management of operating risks and includes the appointment of "risk-management champions" in the various business units, who regularly report risk events. The risk events and key risk indicators are reported in accordance with the reporting structure and hierarchy and managed in a dedicated internal system. The Company has also established an Operating Risk Management Committee, whose members include the managers of the various departments. The internal auditor is invited to take part in the Committee's meetings.

The Committee convenes every quarter and discusses risk management in various processes, the handling of risk events, etc. The Operational Risks Committee also serves as the Compliance Forum.

In 2023, risk management routines were implemented for the current detection, handling, monitoring and reporting of exposures in the organizational operating processes. In addition, regular training was given to employees on detection and reporting of operating risk events.

As part of the overall risk management vision of the organization, the Company maintains an independent control unit. The control unit performs controls over the quality of sales in the Company, in addition to the controls implemented by the product managers and sales managers.

The Company applies controls to the reports that are included in the financial statements, in accordance with the SOX controls array.

As part of the operating risk management, once a year the Company updates the disaster recovery plan (DRP) and the business continuity plan (BCP) in order to be prepared in an instance of damage to operating infrastructure.

Information security and cyber – The Company manages its information security risk based on the related policy that it had approved, and has also formulated a cyber risk management strategy. The Chief Information Officer and the Cyber Officer pursue the implementation of the related work plans, in accordance with the regulatory requirements and the professional guidance of AIG Global Corporation. The Company is insured under the cyber defense umbrella of the global AIG corporation.

The Company maintains an internal audit function that performs periodic audits according to an annual and multi-annual work plan. This plan reflects the requirements of the law and the various directives.

## NOTE 27 - RISK MANAGEMENT (Continued):

### H. Geographical risks:

| | December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Government bonds | Corporate bonds | Index funds | Other investments | Total balance-sheet exposure |
| | NIS in thousands | | | | |
| Israel | **875,655** | **1,110,538** | **-** | **258,275** | **2,244,468** |
| United States | **-** | **1,428** | **-** | **-** | **1,428** |
| Other | **-** | **4,041** | **131,371** | **-** | **135,412** |
| **Total** | **875,655** | **1,116,007** | **131,371** | **258,275** | **2,381,308** |

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Government bonds | Corporate bonds | Index funds | Other investments | Total balance-sheet exposure |
| | NIS in thousands | | | | |
| Israel | 559,822 | 1,224,679 | - | 126,355 | 1,910,856 |
| United States | - | 6,410 | - | - | 6,410 |
| Other | - | 29,696 | 105,314 | - | 135,010 |
| **Total** | 559,822 | 1,260,785 | 105,314 | 126,355 | 2,052,276 |

The geographical exposure reported in the table for the different asset classes is based on the ultimate location of exposure, by country or region, as applicable. Where the location of ultimate exposure cannot be identified, the exposure is reported based on the location of issue or trading of the asset.

## NOTE 28 – BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES

"Interested parties" – as defined in the Israeli Securities Regulations (Preparation of Annual Financial Statements), 2010.

"Related parties" - as defined in IAS 24 - "Related Party Disclosures".

The Company's key management personnel (which are included together with others in the definition of "related parties" under IAS 24) include members of the Board of Directors and members of senior management (hereinafter: "key management personnel").

### A. Balances with interested and related parties:

| | | December 31 | | | |
|---|---|---|---|---|---|
| | | 2023 | | 2022 | |
| | Note | Global AIG corporation companies | Key management personnel | Global AIG corporation companies | Key management personnel |
| | | NIS in thousands | | | |
| Reinsurance assets | 13, 27f(3)(5) | **743,957** | - | 692,420 | - |
| Accounts receivable | 8 | **1,754** | - | 1,816 | - |
| Accounts payable | 19 | - | **3,954** | - | 4,844 |
| Liabilities to reinsurers | 29, 27f5(3) | **267,236** | - | 240,193 | - |

### B. Transactions with interested and related parties

| | | December 31 | | |
|---|---|---|---|---|
| | Note | 2023 | 2022 | 2021 |
| | | NIS in thousands | | |
| Premiums – gross (*) | 20 | **90** | 67 | 86 |
| Reinsurance premiums (**) | 20 | **(192,337)** | (175,255) | (170,479) |
| Income from commissions (**) | 22 | **44,157** | 43,944 | 42,965 |
| Payments and change in liabilities in respect of insurance contracts (**) | 23 | **128,461** | 21,534 | 124,509 |
| | 25, 28c | **(14,341)** | (14,817) | (13,835) |
| General and administrative expenses (**) | 25 | **(853)** | (722) | (1,717) |
| Financing expenses | | **(4,486)** | 1,757 | - |

* Transactions with key management personnel. Officers of the Company may purchase, from time to time, insurance contracts that were issued by the Company, at market conditions and in the ordinary course of business.

** Transactions with Global AIG Corporation companies.

### C. Compensation and benefits to key management personnel:

| | Year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2021 | |
| | No. of people | Amount (NIS in thousands) | No. of people | Amount (NIS in thousands) | No. of people | Amount (NIS in thousands) |
| Current benefits (28e2) | **13** | **11,972** | 13 | 12,716 | 13 | 11,918 |
| Post-employment benefits | **13** | **2,838** | 13 | 2,101 | 13 | 11,917 |
| | | **14,810** | | 14,817 | | 13,835 |

## NOTE 28 – BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Continued)

### D. Compensation and benefits:

| | Year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2021 | |
| | No. of people | Amount (NIS in thousands) | No. of people | Amount (NIS in thousands) | No. of people | Amount (NIS in thousands) |
| Fees to directors | **3** | **523** | 3 | 501 | 3 | 452 |
| | **3** | **523** | 3 | 501 | 3 | 452 |

### E. Income and expenses from related parties and interested parties

**1) <u>Transactions with global AIG Corporation companies that are related parties of the Company</u>**

Most of the Company's transactions with reinsurers are carried out with global AIG Corporation companies that are related parties of the Company. As to the amounts of such transactions, see a. and b. above and Note 27(f)(5)(3).

**2) Bonuses to key management personnel**

Current benefits also include bonuses to key management personnel, amounting to NIS 2,761 thousand (2022– NIS 3,493 thousand; 2021 – NIS 3,055 thousand).

### F. Approval of terms of employment of the Company CEO

The salary of the Company CEO – Yfat Reiter, was set at NIS 105,417 per month, plus a bonus as set out in the bonus plan for officers in the Company and customary social benefits, as well as a company car, cellular telephone and reimbursement of expenses.

## NOTE 29 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Employee benefits include post-employment benefits as well as short-term benefits.
As to the benefits to key management personnel, see Note 28c.

### A. Composition of the liabilities for employee benefits, net

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| <u>Presented under other accounts payable</u>: | | |
| Short-term employee benefits (consist solely of bonuses) | **7,415** | 8,135 |
| <u>Presented under liabilities for employee benefits, net</u>: | | |
| Liability for defined benefit plan for employees | **18,233** | 18,520 |
| Plan assets | **(15,403)** | (14,861) |
| | **2,830** | 3,659 |

## NOTE 29 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (Continued):

### B. Post-employment benefit plans – defined benefit plans

According to the labor laws and Severance Pay Law in Israel, the Company is required to pay compensation to an employee upon dismissal or retirement or to make current contributions in defined contribution plans pursuant to section 14 to the Severance Pay Law, as specified below. The Company's liability is accounted for as a post-employment benefit.

The computation of the Company's employee benefit liability is made according to the current employment contract based on the employee's salary which, in management's opinion, creates entitlement to receive the compensation.

The post-employment employee benefits are normally financed by contributions classified as defined benefit plan or as defined contribution plan, as detailed below:

<u>Defined contribution plans</u>

Section 14 to the Severance Pay Law, 1963 applies to part of the severance payments, pursuant to which the fixed contributions paid by the Company into pension funds and/or policies of insurance companies release the Company from any additional liability to employees for whom said contributions were made. These contributions and contributions for benefits represent defined contribution plans. The amounts funded as above are carried directly to profit or loss as an expense and are not included in the balance sheet. In 2023 and 2022, the expenses in respect of the defined contribution plans amounted to NIS 3,085 thousand and NIS 2,999 thousand, respectively, and were included under "payroll and related expenses".

<u>Defined benefit plan</u>

The Company accounts for that part of the payment of severance pay that is not covered by contributions in defined contribution plans, as above, as a defined benefit plan for which an employee benefit liability is recognized and for which the Company deposits amounts in qualifying insurance policies.

## NOTE 29 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (Continued):

### B. Post-employment benefit plans – defined benefit plans (continued):

#### 1. Movement in the present value of the liability and in the fair value of the assets in respect of defined benefit plans, NIS in thousands

| | Liability for defined benefit plan | | Fair value of plan assets | | Total liability (asset), net recognized in respect of defined benefit plan | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| **Balance as at January 1** | 18,520 | 20,477 | 14,861 | 15,216 | 3,659 | 5,261 |
| Cost of interest | 921 | 541 | 745 | 421 | 176 | 120 |
| Current servicing cost | 1,275 | 1,527 | - | - | 1,275 | 1,527 |
| Actuarial gain as a result of changes in financial assumptions | (161) | (1,895) | - | - | (161) | (1,895) |
| Other actuarial loss | 204 | 1,372 | - | - | 204 | 1,372 |
| Actual return, less interest income | - | - | 671 | 579 | (671) | (579) |
| Benefits paid | (2,526) | (3,502) | (1,990) | (2,457) | (536) | (1,045) |
| Employer's contributions to the plan | - | - | 1,116 | 1,102 | (1,116) | (1,102) |
| **Balance as at December 31** | 18,233 | 18,520 | 15,403 | 14,861 | 2,830 | 3,659 |

#### 2. Reasonably possible changes at the end of the reporting period in each actuarial assumption assuming that all other actuarial assumptions remain constant, affect the defined benefit obligation as follows (NIS in thousands):

| | December 31, 2023 | | December 31, 2022 | |
|---|---|---|---|---|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| Rate of future salary increases | 418 | (302) | 546 | (401) |
| Discount rate | (272) | 367 | (363) | 489 |

The assumptions concerning the future mortality rate are based on statistical data published and on widely accepted life tables, as presented in the mortality rates report – Standard Mortality Table: P1b included in the demographic assumptions appendix of Ministry Circular 2017-3-6. Future reductions in mortality rates – as per the table presented in Circular 2019-1-10.

## NOTE 29 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (Continued):

### B. Post-employment benefit plans – defined benefit plans (continued):

#### 3. Additional data

- The actual return on the plan assets in 2023 is approximately 4.4% (2022 – approximately 3.9%, 2021 – approximately 5.8%)
- The Group estimates the anticipated contributions into a funded defined benefit plan in 2023 at approximately NIS 974 thousand.
- As at the reporting date, the Group estimates the term of plan at 8.2 years (2022– 7.9 years).

## NOTE 30 - LIABILITIES TO REINSURERS:

| | December 31 | |
|---|---|---|
| | **2023** | **2022** |
| | **NIS in thousands** | |
| Deposits of reinsurers (1) ,(2) | **263,131** | 250,594 |
| Deferred acquisition costs in respect of reinsurance | **23,249** | 22,053 |
| Related parties (1) ,(2) | **18,067** | 2,749 |
| Other | **7,899** | 4,097 |
| | **312,346** | 279,493 |

(1) For details of the deposits and balances of reinsurers, the vast majority of which are related parties – see Note 27(f)(5)(3).

(2) See also Note 28a.

## NOTE 31 - CONTINGENT LIABILITES:

There is a general exposure, which cannot be assessed or quantified, that stems, inter alia, from the complexity of the services that the Company provides to its policy holders and the frequent changes in regulation. The complexity of such arrangements entails, among others, potential claims concerning a wide range of commercial and regulatory conditions. The types of claims and interpretations that may be raised in this field and the exposure arising from such and other claims cannot be anticipated in advance. Additionally, a general exposure arises from complaints against the Company that are filed from time to time with various authorities, such as Supervision, in relation to the rights of policy holders under insurance policies and/or the law. Such complaints are currently handled by public relations functions in the Company. The rulings of the authorities in such complaints, to the extent issued, are often given across the board. Occasionally, the complaining parties may threat the initiation of legal proceedings in relation to their complaint, including in the form of a motion to certify a class action. At such preliminary stages, the development of such proceedings cannot be assessed, and at any rate the potential exposure in their respect or the actual initiation of such proceedings cannot be estimated. Accordingly, no provision was created for said exposure.

Based on the opinion of its legal counsel concerning the chances of said proceedings, management of the Company believes that, where required, provisions have been included in the financial statements that are sufficient to cover any damages that may arise as a result of such claims. No provision was included in the financial statements for proceedings in preliminary stages, the chances of which cannot be estimated. Where the Company is willing to reach a compromise in any such proceeding, a provision is included in the amount of compromise that is acceptable to the Company. The total provision included in the financial statements is immaterial.

## NOTE 31 - CONTINGENT LIABILITES (Continued):

The following motions for the approval of a class action are in various stages of litigation.

With respect to motions for the approval of a class action listed below for which, in management's opinion, which is based on legal opinion obtained by management, it is more likely than not that the Company's defense arguments would be accepted and the motion to approve a class action would be rejected, no provision was included in the financial statements. With respect to motions for the approval of a class action for which it is more likely than not that the Company's defense arguments would be rejected, in full or in part, provisions have been included in the financial statements to cover the amount of exposure estimated by the Company. For proceedings that are at a preliminary stage and their chances cannot be estimated, no provision was included in the financial statements. Where the Company is willing to reach a compromise in any such proceeding, a provision was included in the amount of compromise that is acceptable to the Company.

### A. Motions to certify class actions:

1) On June 9, 2016, a motion for certification of a class action was filed against the Company, alleging that the Company failed to pay salary and social benefits as required by law. The motion estimates the total amount of the class action at NIS 9,769 thousand.

   On January 1, 2017, the Company filed its response to the motion to certify the claim as a class action. The petitioners filed their response to the Company's response on June 1, 2017. At the same time, the petitioners filed a motion for discovery of documents. On October 1, 2017, the Company filed its response to the motion for discovery of documents.

   On February 12, 2018, the 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 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.

**NOTE 31 - CONTINGENT LIABILITES (Continued):**

**A. Motions to certify class actions (continued):**

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

The motion alleges overcharging of the policyholders and breach the increased obligations of the insurance companies towards their policyholders, as reflected in the ability to update the 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 amount of the claim for all members of the class in relation to the Company is estimated at NIS 12,250 thousand. The personal damage claimed of the Company is negligible.

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

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

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

On March 3, 2022, petitioners 1-12 submitted an update notice to the court, pursuant to which, in February 2022 a ruling was issued in PC 48191-07-14 Litvinov vs. Clal (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.

The evidentiary hearing scheduled for March 20, 2022 has been converted into a pre-trial hearing in which the issue of the suspension of proceedings in the case was discussed.

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.

On March 10, 2024, a ruling was issued, rejecting the appeal in the Litvinov Matter. The parties will submit an appropriate notice.

## NOTE 31 - CONTINGENT LIABILITES (Continued):

### A. Motions to certify class actions (continued):

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 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 an additional 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. On May 29, 2023, the petitioner submitted its response summations.

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. The amount of personal damages sought of the Company is negligible.

## NOTE 31 - CONTINGENT LIABILITES (Continued):

### A. Motions to certify class actions (continued):

4) (continued)

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. According to a motion for clarifications submitted on 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 5 below will be jointly deliberate the claim 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, a consensual motion was filed in CA 3510-04-20, Segal et al vs. Agricultural Insurance - Central Cooperative Society et al (hereinafter: “the Segal Matter”) for the suspension of hearings until the issue of a peremptory ruling in CA 25472-04-20, CamaMia Textile Ltd. et al vs. Migdal Insurance Company Ltd. et al (hereinafter: “the CamaMia Matter”) that is being deliberated at the Haifa District Court, which addresses similar issues to those of the aforesaid proceeding or, to the extent that the ruling is appealed to the Supreme Court - until a ruling is given in the appeal.

On October 5, 2021, the petitioners submitted their position on the motion to postpone the hearing.

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

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

## NOTE 31 - CONTINGENT LIABILITES (Continued):

### A. Motions to certify class actions (continued):

4) (continued)

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 has been 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, to which the Company is not a party.

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.

On June 29, 2023, the petitioners submitted their summations and a motion to include evidence. The response of the respondents to the motion to include evidence was submitted on July 24, 2023. The respondents are required to submit their summations by October 23, 2023; the petitioners are required to submit their response summations by December 24, 2023.

On October 15, 2023, the court issued a ruling that allows the inclusion as evidence in the case the actuarial report of Manbara that had been drawn up for the Capital Market, Insurance and Savings Authority.

On March 13, 2024, the respondents submitted their summations. The petitioners are required to submit their response summations by May 20, 2024. Supplemental arguments hearings in the case have been scheduled for June 2, 2024 and June 19, 2024.

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.

**NOTE 31 - CONTINGENT LIABILITES (Continued):**

**A. Motions to certify class actions (continued):**

5) (continued)

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 overpaid 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.

The amount of personal damages sought of the Company is negligible.

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

According to a motion for clarifications filed by the respondents 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 matter of Manirav concerning 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 (concerning CamaMia).

On December 6, 2021, the petitioners in the aforesaid proceeding (Nachum petition) and in proceeding PC 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.

## NOTE 31 - CONTINGENT LIABILITES (Continued):

### A. Motions to certify class actions (continued):

5) (continued)

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, to which the Company is not a party.

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.

On June 29, 2023, the petitioners submitted their summations and a motion to include evidence. The response of the respondents to the motion to include evidence was submitted on July 24, 2023.

On October 15, 2023, the court issued a ruling that allows the inclusion as evidence in the case the actuarial report of Manbara that had been drawn up for the Capital Market, Insurance and Savings Authority.

On March 13, 2024, the respondents submitted their summations . The petitioners are required to submit their response summations by May 20, 2024. Supplemental arguments hearings in the case have been scheduled for June 2, 2024 and June 19, 2024.

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.

The amount of the class action against the Company for all class members was estimated at more than NIS 2.5 million. The amount of personal damages sought of the Company is negligible.

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.

**NOTE 31 - CONTINGENT LIABILITES (Continued):**

**A. Motions to certify class actions (continued):**

6) (continued)

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

On August 2, 2021, the respondent filed a motion, requesting that the court order the petitioner to amend (shorten) his response to the respondent's response in accordance with Regulation 2(G) of the Class Actions Law, 2010. On 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; and on May 8, 2023 the petitioner submitted the documents that were received as part of the disclosure.

On January 8, 2024, an evidentiary hearing in the case was held, in which dates have been set for the submission of summations, as follows:

The petitioner is required to submit its summations by April 8, 2024; the respondent is required to submit its summations by May 10, 2024; the petitioner is required to submit its response summations by May 30, 2024.

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 petitioner estimates the total class damages at more than NIS 2.5 million (district court jurisdiction). The amount of personal damages sought of the Company is negligible.

**NOTE 31 - CONTINGENT LIABILITES (Continued):**

**A. Motions to certify class actions (continued):**

7) (continued)

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 and conducted negotiations based on its findings.

On February 25, 2024, a motion was filed with the court for the approval of a compromise arrangement, pursuant to which the respondent will give its representatives that handle third-party vehicle claims instructions with regard to the handling of claims; in addition, it has been agreed on a payment of compensation and professional fees in a total amount of NIS 120,000. The court ordered the publication of the motion and set a period of 45 days for the filing of objections, if any. At the end of the set period, should there be no objections, a motion will be filed for the issue of a ruling.

8) 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 overall damages attributed to the Company are in excess of NIS 2.5 million. The amount of personal damages sought of the Company is negligible.

On April 13, 2023, the Company submitted its response to the certification motion; on June 8, 2023, the petitioner submitted its response to the response of the Company.

The hearing in the case scheduled for October 30, 2023 has been postponed due to the security situation and rescheduled for January 2, 2024.

On January 2, 2024, a preliminary hearing was held in the proceeding and the parties were given the option to submit a notice, within thirty days, of whether or not they were able to reach understandings in relation to the proceeding.

On March 7, 2024, the respondent submitted a consensual notice in which it requests to inform the court, within 30 days, whether the parties were able to reach understandings. On March 8, 2024, the court approved the submission of such notice by April 8, 2024.

9) 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.

## NOTE 31 - CONTINGENT LIABILITES (Continued):

### A. Motions to certify class actions (continued):

9) (continued)

On July 6, 2023, the respondent submitted its response to the certification motion.

A pre-trial hearing in the case was held on September 11, 2023. In the hearing it was determined, inter alia, that the respondent shall be required to submit its position on the referral of the case to mediation. On February 6, the petitioner submitted an update notice, pursuant to which the respondent believes that the proceeding should not be referred to mediation, hence requesting the court to schedule a hearing in the case.

A pretrial hearing of the case has been scheduled for April 16, 2024.

10) On September 12, 2023, a motion was filed for the certification of a class action against the Company and against another insurance company, alleging that the Company is acting contrary to the law by charging the payment for overseas travel insurance policies based on the exchange rate on the day preceding the payment date, whereas according to the terms of the policy the charge should be based on the exchange rate as of the payment date.

The overall amount of damages attributed to the Company is NIS 2.1 million. The amount of personal damages sought of the Company is negligible.

The Company is required to submit its response to the certification motion by February 14, 2024.

An evidentiary hearing in the case has been scheduled for June 16, 2024.

11) On September 14, 2023, a motion was filed for the certification of a class action against the Company and 7 other insurance companies, alleging that the respondents refuse to include flatbed towing in the towing terms of service, requiring the vehicle owners to pay an additional separate charge where flatbed towing is required.

The overall amount of damages attributed to all the companies named in the claim is NIS 80 million. The amount of personal damages sought of the Company is negligible.

On November 9, 2023, the petitioners submitted a motion to amend the certification motion by way of addition of two petitioners and two respondents. On the same day, the court ruled against the motion to amend, inter alia, due to the additional and increased workload that this would create for the court.

The respondents are required to submit their response to the certification motion by April 3, 2024. The petitioners' response to the response will be submitted by June 2, 2024.

A pretrial hearing of the case has been scheduled for July 7, 2024.

| | Number of claims | The amount claimed - NIS thousands |
|---|---|---|
| **Pending motions to certify claims as class actions:** | | |
| Amount of claim specified | 6 | 108,554 |
| Amount of claim not specified | 5 | - |
| Total | 11 | 108,554 |

## NOTE 31 - CONTINGENT LIABILITES (Continued):

### B. Contingent liabilities - claims resolved during the reported period:

1) 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. 5 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. 5 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. 5 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.

## NOTE 31 - CONTINGENT LIABILITES (Continued):

### B. Contingent liabilities - claims resolved during the reported period (continued):

1) (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 5 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 5 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 that approved the motion to withdraw filed by the petitioners, without adjudication of compensation and fees and without ordering the naming of a substitute plaintiff.

2) 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.

## NOTE 31 - CONTINGENT LIABILITES (Continued):

### B. Contingent liabilities - claims resolved during the reported period (continued):

2) (continued)

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 petitioner's personal claim against the Company.

On May 30, 2023, the court approved the petitioner's withdrawal, rejected his personal claim and struck out the certification motion that had been filed.

3) On January 16, 2018, a motion to certify a class action was 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 estimated the compensation due to members of the class for each year in respect of the Company at NIS 5,744 thousand. 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.

On September 27, 2023, a ruling was issued, rejecting the appeal.

## NOTE 32 - LEASES:

### Information on material leases

The Company leases offices on #25 Hasivim St. in Petach Tikva. The contractual term of the aforesaid leases ends on December 31, 2024. The lease liability and right-of-use asset initially recognized in the statement of financial position as of December 31, 2020 in respect of the lease of offices amount to NIS 22,239 thousand (see Note 19) and NIS 21,806 thousand (see Note 7), respectively.

### Right-of-use assets

The balance of right-of-use assets is presented in the note on property and equipment - see Note 7 above.

### Lease liability

The balance of the lease liability is presented in the note on other accounts payable - see Note 19 above.

## NOTE 32 - LEASES (Continued):

**Analysis of maturity dates of lease liabilities of the Company**

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Up to one year | 5,727 | 5,503 |
| 1-5 years | - | 5,839 |
| **Total** | **5,727** | **11,342** |

**Supplementary information on leases**

| | December 31 | |
|---|---|---|
| | 2023 | 2022 |
| | NIS in thousands | |
| Interest expense on lease liability | 176 | 286 |
| Expenses relating to variable lease payments that were not included in the measurement of the lease liability | 5,452 | 5,452 |
| **Total** | **5,628** | **5,738** |

## Chapter D - Additional Information on the Entity

**Regulation 25A**

| | |
|---|---|
| **Company name:** | **AIG Israel Insurance Company Ltd.** |
| Company no. with Registrar: | 51-230488-2 |
| Address: | #25 Hasivim St., Kiryat Matalon, Petach Tikva |
| Telephone no: | 03-9272333 |
| Facsimile: | 03-9272366 |
| Company website: | www.aig.co.il |
| Balance-sheet date: | December 31, 2023 |
| Date of report: | March 19, 2024 |

# Chapter D - Additional Information on the Entity

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**Regulation 11: List of Investments in Subsidiaries and Associated Companies as of the Date of the Report**
None.

**Regulation 12: Changes in Investments in Subsidiaries and Associated Companies in the Reported Period**
None.

**Regulation 13: Profits or Losses of Subsidiaries and Associated Companies in the Balance Sheet for the Year Ended December 31, 2023**
None.

**Regulation 14: List of Groups of Balances of Loans Granted to the Date of the Report**
None. The granting of loans is not the principal activity of the Company.

**Regulation 20: Trading on the Stock Exchange**
None. To the date of the report, no securities issued by the Company are listed for trade on the Stock Exchange.

**Regulation 21: Remuneration of Interested Parties and Senior Officers**
Presented below are details of the payments made by the Company and the payment liabilities assumed by the Company in the reported year to each of the five recipients of the highest salaries from among its officers, whether granted by the Company or by another (the amounts are denominated in NIS thousands, excluding payroll tax).

| **Details of the remunerated officer** | | | | **Remuneration for services*** | | |
|---|---|---|---|---|---|---|
| **Name** | **Position** | **Appointment percentage** | **Percentage holding in the Company's equity** | **Salary**** | **Bonus** | **Total** |
| Yfat Reiter | CEO | 100% | 0% | 1,737 | 917 | 2,654 |
| Alon Kor*** | VP | 100% | 0% | 997 | 303 | 1,300 |
| Olivia Zohar | VP | 100% | 0% | 957 | 236 | 1,193 |
| Hagar Ben Ezra Sakharov | VP | 100% | 0% | 1,188 | - | 1,188 |
| Roy Dvorin | VP | 100% | 0% | 828 | 173 | 1,001 |

* Compensation amounts in terms of cost to the entity.

** The above salary component includes, inter alia, the following components: gross monthly salary, social provisions, including provisions for employee termination obligations (advanced study fund and failure of work capacity, as customary, car value, various expenses, e.g. subsistence, mobile telephone, sick days and recreation, and any income carried to the salary due to a component granted to the employee).

*** Alon Kor stepped down on December 31, 2023.

**Compensation to CEO**
The monthly salary of CEO was set to NIS 105,417 plus a bonus that is determined according to the bonus plan for officers in the Company (see paragraph 4.6c in Chapter A (Description of the Company's Business) in the periodic report) and customary social benefits (a Company car, mobile phone and expense reimbursement).

**Directors' remuneration**
Salary paid to outside directors - NIS 523 thousand, including VAT.

**Regulation 21a: Company's controlling shareholders**
To the date of the report, the controlling shareholder in the Company is AIG Holdings Europe Limited ("**AEHL**"), which holds 100% of the ordinary shares of the Company. AEHL is a member of American International Group Inc. ("**AIG**"). AIG holds the ultimate control permit of the Company.

**Regulation 22: Transactions with controlling shareholders or transactions in the approval of which the controlling shareholder has personal interest, entered into by the Company in the reported year or subsequent to the end of the reported year through the date of the publication of this report or which still in effect at the date of publication of the report**

**Extraordinary transactions and engagements for obtaining services**
See para. 4.5 (reinsurance) in Chapter A – Description of the Company's Business, and Note 29 (balances and transactions with interested and related parties) to the financial statements.

**Negligible transactions**
There were no negligible transactions with the controlling shareholder or transactions in the approval of which the controlling shareholder had personal interest.

**Regulation 24: Shares and Convertible Securities Held by an Interested Party in the Company as of date of the Report**

| | | | | Percentage holding | | |
|---|---|---|---|---|---|---|
| **Interested party** | **Company no. with Companies Registrar** | **Name of security** | **Par value on Dec. 31, 2023** | **In equity** | **In voting rights** | **In right to appoint directors** |
| AIG Holdings Europe Limited | Foreign company | Ordinary shares | 5,730 | 100% | 100% | 100% |

**Regulation 24a: Authorized share capital, issued share capital and convertible securities**
The Company's authorized share capital is NIS 45,000,100, comprised of 45,000,100 ordinary shares of NIS 1 par value each. The Company's issued and paid share capital is NIS 5,730, comprised of 5,730 ordinary shares of NIS 1 par value each.

**Regulation24b: Company's shareholder register**
For details regarding the sole shareholder of the Company, see Regulation 21a to this chapter.

**Regulation 26: Directors of the Company**[1]

1. **Name:** Edward Levin - Chairman of the Board of Directors, until December 2023.[2]
   **Passport no.:** 566587471
   **Date of birth:** March 13, 1961
   **Address for the service of process:** 2 Parkfields, London, SW15, England
   **Citizenship:** United States
   **Member of Board committees:** No
   **Independent/outside director:** No
   **The director is an employee of the Company, a subsidiary, a related company or an interested party:** Yes,
   Division Head – Global Accident & Health, AIG
   **Date of commencement of service as director** December 22, 2021
   **Education:** BA in Economics, Harvard University; MBA, Columbia University
   **Main occupation during the past 5 years as well as other companies in which he serves as a director:** Business Officer, Division President A&H - Chubb Group Senior VP - Digital
   **Relation to another interested party in the Company:** No

2. **Name:** Thomas Lillelund, Chairman of the Board of Directors, since January 2024.
   **Passport no.:** 209123429
   **Date of birth:** June 13, 1972
   **Address for the service of process:** 35D Avenue J. F. Kennedy, 1855 Luxembourg
   **Citizenship:** Danish
   **Member of Board committees:** No
   **Independent/outside director:** No
   **Possesses accounting and financial expertise/insurance expertise:** possesses accounting and financial expertise and insurance expertise
   **The director is an employee of the Company, a subsidiary, a related company or an interested party:** Yes,
   Chief Executive Office - AIG Europe, Middle East & Africa
   **Date of commencement of service as director:** April 22, 2020
   **Education:** BA in Economics, William & Mary University; MBA, Western University
   **Main occupation during the past 5 years as well as other companies in which he serves as a director:** CEO AIG Europe, CEO Aspen Re
   **Relation to another interested party in the Company:** No

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[1] The Company is waiting to receive the non-objection of the Commissioner of the Capital Market to the appointment of an additional director in the Company.

[2] On December 31, 2023, the office of Mr. Edward Levin as a director and Chairman of the Board of Directors of the Company ended.
In January 2024, Mr. Thomas Lillelund was appointed Chairman of the Company's Board of Directors.

3. **Name:** Adriaan Kloppers
 **Passport no.:** 123879645
 **Date of birth:** April 3, 1984
 **Address for the service of process:** The AIG Building, 58 Fenchurch Street, London EC3M 4AB
 **Citizenship:** British
 **Member of Board committees:** No
 **Independent/outside director:** No
 **Possesses accounting and financial expertise/insurance expertise:** possesses accounting and financial expertise and insurance expertise
 **The director is an employee of the Company, a subsidiary, a related company or an interested party:** Yes,
 Head of FP&A – AIG EMEA, CFO – AIG Middle East & Africa
 **Date of commencement of service as director:** March 21, 2023
 **Education:** Bcom Accounting (Hons), University of Pretoria
 **Main occupation during the past 5 years as well as other companies in which he serves as a director:** Head of Business Planning & analysis
 **Relation to another interested party in the Company:** No

4. **Name:** Arie Nachmias
 **I.D. No.:** 051604205
 **Date of birth:** August 3, 1952
 **Address for the service of process:** 1 Hohit St., Giva'at Hasla'im Rosh-HaAyin.
 **Citizenship:** Israeli
 **Member of Board committees:** Yes. Audit Committee, Investments Committee, Nominating Committee and Compensation Committee.
 **Independent/outside director:** Yes. Possesses accounting and financial expertise. Possesses insurance expertise and investment expertise.
 **The director is an employee of the Company, a subsidiary, a related company or an interested party:** No
 **Date of commencement of service as director:** January 19, 2016
 **Education** BA in Economics, Tel Aviv University; M.Sc. in Economics & Management, Hebrew University of Jerusalem; PhD in Management, University of Wisconsin–Milwaukee.
 **Main occupation during the past 5 years as well as other companies in which he serves as a director:** Head of Master's Degree Program in Business Administration, Open University (stepped down in 2021; outside director in Harel Finance Investment Management Ltd.
 **Relation to another interested party in the Company:** No

5. **Name:** Dorit Hanegbi
   **I.D. no.:** 055884126
   **Date of birth:** June 7, 1959
   **Address for the service of process:** 5 Trumpeldor St., Kfar Saba
   **Citizenship:** Israeli
   **Member of Board committees:** Yes. Audit Committee, Compensation Committee.
   **Independent/outside director:** Yes, possesses insurance expertise
   **The director is an employee of the Company, a subsidiary, a related company or an interested party:** No
   **Date of commencement of service as director:** April 1, 2020
   **Education:** BA in Economics (primary) and Computer Sciences (secondary).
   **Main occupation during the past 5 years as well as other companies in which she serves as a director:** "Pool" Head of Technology.
   **Relation to another interested party in the Company:** No

6. **Name:** Jules Polak
   **I.D. No.:** 026059444
   **Date of birth:** July 8, 1946
   **Address for the service of process:** 6 Amos St., Ramat Gan
   **Citizenship:** Israeli
   **Member of Board committees:** Yes. Audit Committee, Investments Committee, Nominating Committee and Compensation Committee.
   **Independent/outside director:** Yes. Possesses accounting and financial expertise. Possesses insurance expertise and investment expertise.
   **The director is an employee of the Company, a subsidiary, a related company or an interested party:** No
   **Date of commencement of service as director:** March 1, 2017
   **Education:** BA in Accounting, Tel Aviv University; MBA, Hebrew University of Jerusalem; CPA.
   **Main occupation during the past 5 years as well as other companies in which he serves as a director:** CEO of Jules Polak Business Management Ltd. Director at IBI Mutual Fund Management (1978) Ltd.
   **Relation to another interested party in the Company:** No

7. **Name:** Roberto Nard
   **Passport No.:** YC0832763
   **Date of birth:** September 3, 1962
   **Address for the service of process:** 35D Avenue J. F. Kennedy, 1855 Luxembourg
   **Citizenship:** Italian
   **Member of Board committees:** No
   **Independent/outside director:** No
   **The director is an employee of the Company, a subsidiary, a related company or an interested party:** Yes. Chief Financial Officer AIG EMEA
   **Date of commencement of service as director:** February 1, 2021
   **Education:** BA in Accounting, University of Milan
   **Main occupation during the past 5 years as well as other companies in which he serves as a director:** CFO Europe AIG, CFO EMEA AIG
   **Relation to another interested party in the Company:** No

**Regulation 26a: Senior Officers of the Company**

1. **Name:** Yfat Reiter
   **I.D. No.:** 029480548
   **Date of birth:** July 18, 1972
   **Position in the Company:** CEO
   **Interested party or relative of another officer or of an interested party in the Company?** No
   **Education and main occupation during the past 5 years:** Academic education. BA in Economics and Finance, MBA. VP Private Insurance in the Company. VP Personal Accidents, Life and Health Insurance.
   **Date of commencement of service:** September 11, 2019

2. **Name:** Hagar Ben Ezra Sakharov
   **I.D. No.:** 03346185
   **Date of birth:** February 19, 1977
   **Position in the Company:** Deputy CEO and Head of Private Customers Division
   **Interested party or relative of another officer or of an interested party in the Company?** No
   **Education and main occupation during the past 5 years:** BA, Deputy CEO and Head of Private Customers Division at Isracard.
   **Date of commencement of service:** October 27, 2022

3. **Name:** Usher Gray[3]
   **I.D. No.:** 327288478
   **Date of birth:** May 20, 1977
   **Position in the Company:** CFO
   **Interested party or relative of another officer or of an interested party in the Company?** No
   **Education and main occupation during the past 5 years:** BA, CPA. CFO at DavidShield Insurance Company Ltd. Controller, Reinsurance Officer at AIG Israel Insurance Company Ltd.
   **Date of commencement of service:** June 21, 2023

[3] Mr. Usher Gray took office in the Company on June 21, 2023 in place of Mr. David Rothstein, who stepped down on that date. For information regarding David Rothstein, see Regulation 26a in the annual report for 2022.

4. **Name:** Shai Guttman[4]
**I.D. No.:** 027350016
**Date of birth:** May 26, 1974
**Position in the Company:** Chief Information Officer
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education. MBA in Business Administration. Chief Information Officer at UPS.
**Date of commencement of service:** February 7, 2024

5. **Name:** Ifat Papo[5]
**I.D. No.:** 033153388
**Date of birth:** September 16, 1976
**Position in the Company:** VP Human Resources
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education. BA in Management. VP Human Resources at Nokia.
**Date of commencement of service:** November 1, 2023.

6. **Name:** Olivia Zohar
**I.D. No.:** 011179322
**Date of birth:** July 16, 1970
**Position in the Company:** VP Risk Management and Compliance
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education. CPA, MBA.
**Date of commencement of service:** October 1, 2013

7. **Name:** Michal Lodzki
**I.D. No.:** 033578923
**Date of birth:** November 3, 1976
**Position in the Company:** VP Marketing and Digital, serves as the Company's Spokesperson.
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education. LLB, BBA, MBA. VP Trade, Digital and Business Development at Globes, VP Online Digital
**Date of commencement of service:** December 15, 2022

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[4] Mr. Shay Guttman took office in the Company on February 7, 2023 in place of Mr. Alon Kor, who stepped down on December 31, 2023. For information regarding Alon Kor, see Regulation 26a in the annual report for 2022.

[5] Ms. Ifat Papo took office in the Company on November 1, 2023 in place of Ms. Merav Yanai, who stepped down on that date. For information regarding Merav Yanai, see Regulation 26a in the annual report for 2022.

8. **Name:** Thomas Lowe
**I.D. No.:** 327077798
**Date of birth:** May 10, 1976
**Position in the Company:** VP, Internal Audit
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education. CPA (South African licensee), Certified IT Systems Auditor, Senior Manager Internal Audit, Controller, Financial Project Manager.
**Date of commencement of service:** September 1, 2013

9. **Name:** Assaf Michaeli
**I.D. No.:** 034486225
**Date of birth:** December 12, 1977
**Position in the Company:** VP Personal Accidents, Life and Health Insurance
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education. BA in Economics and Management, Accounting (single major); LL.M. Head of Insurance Division at the Capital Markets Authority and Senior Deputy Commissioner of Capital Markets, Insurance and Savings.
**Date of commencement of service:** October 1, 2021.

10. **Name:** Orit Yanko
**I.D. No.:** 028571131
**Date of birth:** August 1, 1971
**Position in the Company:** VP Vehicle and Home Insurance
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education, LL.B. UMI Insurance Agency – CEO.
**Date of commencement of service:** December 12, 2021.

11. **Name:** Roy Dvorin
**I.D. No.:** 016654600
**Date of birth:** April 1, 1976
**Position in the Company:** VP, Chief Legal Counsel and Company Secretary.
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education, LL.B. and Certified Lawyer in Israel. VP, Legal Counsel, Company Secretary and Compliance Officer at Hachshara Insurance Company Ltd.
**Date of commencement of service:** October 24, 2021.

12. **Name:** Erez Chaim
**I.D. No.:** 034996504
**Date of birth:** March 12, 1979
**Position in the Company:** VP Commercial Insurance
**Interested party or relative of another officer or of an interested party in the Company?** No
**Education and main occupation during the past 5 years:** Academic education. LL.B. and BBA, Adv. Independent insurance advisor, Director of Large Businesses and Business Development at Migdal Insurance Company.
**Date of commencement of service:** November 15, 2021.

**Regulation 26B: Number of Independent Authorized Signatories as determined by the Entity**
None.

**Regulation 27: Auditors of the Company**
Somekh Chaikin KPMG CPAs, 17 Ha'arba'a St. Tel Aviv.

To the best of the Company's knowledge, the auditors, including Ms. Taly Bisker Avisar, CPA, who is the engagement partner in the said firm, are not interested parties and/or related to any senior officers or interested parties in the Company.

**Regulation 28: Changes in the Articles of Association and Memorandum of the Company in 2023**
None.

**Regulation 29: Resolutions and Recommendations of the Board of Directors**

a. Set forth below are the recommendations of the Board of Directors to the General Meeting and the resolutions of the Board of Directors that do not require the approval of a General Meeting:
    1. Payment of dividend (or distribution), as defined in the Companies Law, in any other way, or distribution of bonus shares: See details in note 12 to the financial statements.
    2. Changes to the authorized or issued capital of the Company: None
    3. Changes to the Memorandum or Articles of Association of the Company: None.
    4. Redemption of shares: None.
    5. Early redemption of debentures: None.
    6. Non-arm's-length transaction between the Company and an interested party thereof, except for a transaction between the Company and a subsidiary thereof: See Regulation 22 above.

b. General Meeting resolutions that were passed other than as recommended by the Board of Directors: None.

c. Resolutions of Special General Meeting:

1. On February 2, 2023, the General Meeting of the Company passed the following resolution (pursuant to the approval by the Company's Audit Committee and Board of Directors): appointment of Mr. Jules Polak and Ms. Dorit Hanegbi as independent directors in the Company (for a third and a second term, respectively.
2. On February 15, 2023, the General Meeting of the Company passed the following resolution (pursuant to the approval by the Company's Audit Committee and Board of Directors): renewal of the officers and directors' liability insurance policy for the officers and directors of the Company.
3. On March 21, 2023, the General Meeting of the Company passed the following resolution: appointment of Mr. Adriaan Kloppers as a director in the Company.
4. On November 28, 2023, a resolution was passed for the renewal of the appointment of Somekh Chaikin as auditors of the Company and authorizing management of the Company to negotiate their fees.

**Regulation 29a: Resolutions of the Company**

a. Approval of acts under Section 255 of the Companies Law: None.
b. An act in accordance with Section 254(a) of the Companies Law, which has not been approved: None.
c. Transactions that require special approval in accordance with Section 270(1) to the Companies Law, provided that the transaction is an extraordinary transaction as defined in the Companies Law: See Regulation 22 above.
d. Exemption, insurance or liability to indemnify an officer as defined in the Companies Law, as in effect on the date of the report:

**Insurance**

The Company entered into an officers' liability insurance policy for the period from March 1, 2022 through February 28, 2023. The liability limit is US$ 25 million with a deductible of US$ 35,000 per claim and for the whole insurance period, including reasonable litigation expenses, as agreed with the insurer[6].

**Indemnification**

The Company has undertaken to indemnify in advance the officers in the Company in accordance with the wording of the indemnity letters it has provided to them. According to the indemnity letters, the Company has undertaken, to the extent allowed by law, to indemnify its officers for any liability or expense imposed upon them and/or incurred by them in consequence of an act performed by them by virtue of holding office in the Company. The aggregate amount of indemnity for all officers in respect of one or more than one of the events set by the Board of Directors shall not exceed 25% of the Company's equity. The Company has also undertaken to indemnify its officers for payment which was levied on them as part

[6] The policy was renewed for an additional 12 months in February 2024.

of payment to a victim of breach; the Company has also undertaken to indemnify its officers for expenses they incurred as part of a procedure for levying financial sanctions on those officers, including reasonable litigation expenses.

**Exemption**

The Company has exempted its officers from liability in the event of the breach of the duty of care in good faith. The exemption will not apply to a breach of fiduciary duty, intentional breach or reckless breach (unless exclusively due to negligence), breach with intent of unlawful enrichment, and to a fine or forfeit imposed on the officer.

**AIG Israel Insurance Company Ltd.**

Date: March 19, 2024

| | |
|---|---|
| **Thomas Lillelund**<br>**Chairman of the Board** | **Yfat Reiter**<br>**C.E.O** |

# GENERAL INSURANCE SECTORS – ACTUARY STATEMENT

## AS OF DECEMBER 31, 2023

## AIG ISRAEL INSURANCE CO. LTD.

## Chapter A: Statement of the Actuary in the General Insurance Sectors

Chapter A - Identity of the actuary

I was requested by AIG Israel Insurance Co. Ltd. to evaluate the provisions listed in Chapter B hereafter in the general insurance sectors for the financial statements ("the provisions") of the insurer AIG Israel Insurance Co. Ltd. at December 31, 2023, as detailed below.

I am a salaried employee of the insurer. I am not an interested party in the insurer nor am I a relative of an interested party of the insurer.

I was appointed to this position on January 1, 2022.

## Chapter B - Scope of the actuarial opinion

### 1. Wording of scope of the actuarial opinion section

1.1 For the purpose of calculating the insurer's provisions, I relied on data that I received from the insurer. My requests for information and data were satisfied adequately for the purpose of evaluating the provisions for financial statements purposes. I reviewed the reasonability and adequacy of the data, including comparing the said data with the data for the year to which the statement refers and the data for previous years.

1.2 Where necessary, my evaluation also relied on data received from other reliable sources. I reviewed the consistency and adequacy of the data and their relevance.

1.3 The actuarial assumptions that I used in my work, as well as the methods for evaluating the provisions specified in section 2 below were determined by me, to the best of my professional judgment, and subject to the instructions, directives and principles specified in section 1 to Chapter C, below.

1.4 To calculate the retention, I asked the entities responsible for the insurer's reinsurance for information concerning the insurer's reinsurance arrangements, the ability to collect claims, and problems with the reinsurers' payment policy. Based on the information that I received, I reviewed the effect and implications of the reinsurance arrangements on the provisions.

1.5 The following matters were also taken into account in my opinion:

- The provision that was calculated for the Company's share of the "Pool" (Israel Motor Insurance Pool) was based on an assessment conducted by the Pool's actuary.
- The claims’ experience, which was affected by the coronavirus pandemic and reflected in the data, the working assumptions that are entered into the actuarial models and the final results.
- The interest environment and the anticipated inflation in the local market, as part of the discount of the reserves.

1.6 No reserve was taken for the absence of a correlation between the different sectors for the purpose of writing down the total provision for all the sectors included in my evaluation.

**Declaration of Chief Actuary**

In accordance with the provisions of the consolidated circular – Supervising Actuary and Chief Actuary (no. 2022-9-23), the Commissioner has approved my appointment, Shay Elgrably, as Chief Actuary at AIG Israel Insurance Company Ltd. on February 26, 2023.

I am a salaried employee of the insurer. I am not an interested party in the insurer or with a family member of an interested party in the insurer.

I declare that:

(a) Meticulous and proper processes were conducted in relation to the various activities that supported the calculations of the supervising actuaries.

(b) The actuarial calculations for which the Supervising Actuary is responsible have been subjected to proper controls and tested for reasonability in preparation for their implementation in the financial statements.

(c) There is sufficient and reasonable documentation for the actuarial calculations and processes.

(d) The level of detail in the report is consistent with the nature, scope and complexity of the risks embodied in the operations of the Company.

| | | |
|---|---|---|
| **March 19, 2024** | **Shay Elgrably** | |

## 2. Data included in the section on the scope of the actuarial opinion

**As of December 31, 2023**

### 2.1 Pending Claims

2.1.1 Non-aggregated sectors:

| | | Gross | Retention |
|---|---|---|---|
| | | NIS in thousands | |
| | Vehicle property | 128,999 | 128,999 |
| | Comprehensive home | 51,291 | 48,134 |
| | Loss of property | 41,401 | 186 |
| | Engineering insurance | 36,690 | 102 |
| | Vehicle compulsory | 841,499 | 702,018 |
| | Employers' liability | 46,507 | 6,737 |
| | Third-party liability | 112,811 | 13,959 |
| | Product liability | 43,326 | 8,601 |
| | Professional liability | 289,525 | 27,780 |
| | Other | 4,737 | 680 |
| | Total non-aggregated sectors | 1,596,788 | 937,191 |
| | Total aggregated sectors | - | - |
| **2.1.2** | **Total aggregated and non-aggregated sectors** | **1,596,788** | **937,191** |
| 2.2 | Indirect expenses for all sectors | 54,269 | 54,269 |
| 2.3 | Premium deficiency: | 26,883 | 26,883 |
| | **Total pending claims, indirect expenses, premium deficiency reserve computed in accordance with actuarial valuation:** | **1,677,940** | **1,018,343** |

## Chapter C – the Opinion

I hereby declare and confirm that in the following sectors: comprehensive home, motor vehicle insurance – property (self and third party), motor vehicles (New Version), 1970:

1. I evaluated the insurer's provisions listed in Chapter B in accordance with the instructions, directives and principles set forth below, and all in effect as of the date of the financial statements:

    a. The provisions of the Control of Financial Services (Insurance) Law, 1981, and regulations promulgated thereunder.
    b. Instructions and directives issued by the Commissioner of Insurance;
    c. Commissioner's position regarding calculation of general insurance reserves
    d. Acceptable actuarial principles.

2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my evaluation.

3. I determined the assumptions and methods used to assess the provisions, to the best of my professional judgment, and in accordance with the instructions, directives and principles specified above.

4. To the best of my knowledge, the provisions specified in Chapter B, section 2.1.1 in respect of the non-aggregated sectors comprehensive flats, property loss, engineering, compulsory motor, employers liability, third party liability, product liability, professional liability and other form an adequate reserve for covering the insurer's commitments in respect of the pending claims, defined above, for each statistical sector listed separately, in effect as of the date of the financial statements.

5. To the best of my knowledge, the total provisions listed in Chapter B, section 2.1.2, form an adequate reserve for covering the insurer's commitments in respect of pending claims in the aggregated and non-aggregated sectors together, in effect as of the date of the financial statements.

6. To the best of my knowledge, the provision specified in Chapter B, section 2.2 forms an adequate reserve for covering the insurer's commitments in respect of indirect expenses to settle the claims in effect as of the date of the financial statements.

7. To the best of my knowledge, the provisions listed in Chapter B, section 2.3, form an adequate reserve for covering the insurer's commitment in respect of a deficit premium at retention level (inasmuch as such deficit premium exists) in the sectors listed, in effect as of the date of the financial statements.

**<u>Chapter D – Comments and Clarifications</u>**

1. **Comments, clarifications and explanations in connection with the actuary opinion I rendered, to the best of my professional judgment.**

   a. In January 2015 a new Insurance Circular was published - "Actuarial Assessment in General Insurance" - which is designed to enhance the quality of assessment of the reserves for an insurer's liability due to general insurance contracts (hereafter – "insurance reserves), which are an important element in the assessment of an insurer's liability, and to regulate the attachment of the professional opinion of an appointed actuary (hereafter – "the actuary") on these provisions to the financial statements. The circular establishes the scope of the actuarial assessment which the actuary is required to perform, the actuarial report he/she is required to prepare and the statement he/she is required to sign, which must be attached to the financial statements.

   b. In January 2015 the Commissioner published a position paper on "Best Practice for Calculation of Insurance Reserves in General Insurance for Financial Reporting" (hereafter – "the position paper"). The Commissioner's position paper includes, inter alia, explanations of the principles of professionalism, consistency and caution which have not been previously defined in circular 2015-1-1 on Actuarial Valuation in General Insurance. The principle of caution will require the actuary to verify that the valuations made in the liability sectors aim for a probability estimate of 75% at the very least. The Commissioner's position paper also refers to the issue of the discount rate applied to liabilities for best estimate purposes.

   c. In January 2015 a circular was published – "Calculation of Reserves in General Insurance – Update"; in accordance with the this circular, commencing in the financial statements as of December 31, 2015, the reserve in respect of the excess of income over expenses shall not be calculated for the liability insurance sectors and the compulsory vehicle insurance sector.

d. In January 2018, a Government resolution was published, concerning the modification of the accounting mechanism between the National Insurance Institute ("NII") and the insurance companies ("the New Subrogation Arrangement"). The modification is designed, inter alia, to improve the efficiency of the existing accounting arrangements between NII and the insurance companies as regarding the payment of compensation pursuant to the Compensation Law, with limited involvement of court proceedings. The modification amends the arrangement that is provided for in Section 328(A) of the National Insurance Law with regard to the settling of accounts between NII and the insurance companies in respect of the payment of compensation on the annuity paid or payable by the NII to victims of road accidents pursuant to the Compensation Law, and determines that the insurance companies will transfer a fixed annual amount to cover their liability.

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

Against the contribution fees that would be transferred to the National Insurance Institute, commencing on January 1, 2023 no subrogation claims will be filed by NII in respect of damage events.

e. Liability Discount

1. Compulsory and liability sectors: the Company discounts said sectors based on a risk-free interest curve, with the addition of 80% of the illiquidity premium in accordance with Insurance Circular 2022-1-4 ("Amendment of the Provisions of the Consolidated Circular Concerning the Measurement of Liabilities - Illiquidity Premium") and in accordance with the best practice principles of the compulsory vehicle insurance sector and the liability insurance sectors (see Chapter D, section 3).

2. Property sectors - The Company does not discount these sectors.

**Effect of risk-free interest on discounting/non- discounting of provisions for pending claims - gross**

| Sectors | Best estimate provision before discounting | Best estimate provision after discounting | Actual provision in books | Increment (%) |
|---|---|---|---|---|
| | NIS in thousands | | | |
| Compulsory vehicle | 848,765 | 785,935 | 841,499 | 70.07% |
| Vehicle property | 122,974 | 122,974 | 128,999 | 4.90% |
| Comprehensive home insurance | 47,580 | 47,580 | 41,291 | 7.80% |
| Engineering insurance | 30,965 | 30,962 | 36,690 | 18.50% |
| Property | 34,937 | 34,937 | 41,401 | 18.50% |
| Employers' liability | 45,610 | 42,356 | 46,507 | 9.80% |
| Other | 4,527 | 4,123 | 4,737 | 14.90% |
| Product liability | 40,088 | 37,094 | 43,326 | 16.80% |
| Professional liability | 275,101 | 251,980 | 289,525 | 14.90% |
| Third-party liability | 111,224 | 103,307 | 112,811 | 9.20% |
| **Total** | **1,561,768** | **1,461,249** | **1,596,788** | **9.28%** |

| Effect of risk-free interest on discounting/non- discounting of provisions for pending claims – retention | | | | |
|---|---|---|---|---|
| Sectors | Best estimate provision before discounting | Best estimate provision after discounting | Actual provision in books | Increment (%) |
| | NIS in thousands | | | |
| Compulsory vehicle | 704,367 | 657,262 | 702,018 | 6.81% |
| Vehicle property | 122,974 | 122,974 | 128,999 | 4.90% |
| Comprehensive home insurance | 44,652 | 44,652 | 48,134 | 7.80% |
| Engineering insurance | 86 | 86 | 102 | 18.50% |
| Property | 157 | 157 | 186 | 18.50% |
| Employers' liability | 6,603 | 6,131 | 6,732 | 9.80% |
| Other | 650 | 591 | 680 | 14.90% |
| Product liability | 7,956 | 7,364 | 8,601 | 16.80% |
| Professional liability | 26,387 | 24,177 | 27,780 | 14.90% |
| Third-party liability | 13,728 | 12,783 | 13,959 | 9.20% |
| **Total** | **927,560** | **876,177** | **937,191** | **6.96%** |

f. The process of assessing the various actuarial provisions involves statistical uncertainty. These assessments are based on certain assumptions which best reflect the information currently available to us. There may be future changes, which will have an effect on these assumptions in terms of legislation, legal rulings and economic and social environments. It is impossible to predict these factors and they may affect the final cost of the claims thus affecting actuarial estimate of the provisions.

2. **Material changes in actuarial assumptions and methods compared with last year's actuarial assessment**

Whereas in the previous year the risk-free interest curve was negative, changes in the interest environment and in market conditions resulted in a positive curve, with an ensuing discount benefit for the best estimate provisions after the discount. Pursuant to best practices in the compulsory vehicle insurance sector and in the liability insurance sectors, the best estimate provisions include the discounted amounts.

3. **Material changes to provisions described in Chapter B compared to provisions described for the previous reporting period and the reasons for those changes, by sectors**

Below is information about provisions by insurance segment as of the 2022 and 2023 year-end and changes in provisions.

<u>Vehicle property</u>

Despite the improvement at the level of the average earned premium, the average cost per policy remained high. During the year, the claims’ experience took a significant turn for the worse, both in terms of the frequency of the claims and their severity. In addition, the occurrence of theft increased significantly, substantially burdening the results of the Company. Consequently, pending claims increased. Nevertheless, following the events of October 7, 2023, frequency dropped significantly in the quarter, resulting in substantial improvement in the results both at the quarterly level and annually. Total reserves increased by NIS 8.2 million.

Compulsory vehicle

**Gross:** an increase of NIS 58.5 million in pending claims. Deterioration in UWY experience in 2020-2023, severity being the main catalyst. Nevertheless, it is estimated that an improvement in the composition of the portfolio in 2022-2023 will help mitigate the severity experienced in 2020-2021. In addition, there has been an improvement in the reinsurer's share (prior years, on YTD basis).

In addition, the automated BI results are affected by inflation (CPI) and changes in the discounting interest curve. In the fourth quarter of 2023, we saw the changes in the yields interest curve reduce the discount benefit. This trend is expected to persist to the extent that the Bank of Israel will continue to reduce the interest rate.

Commencing on January 1, 2023, a new arrangement with the National Insurance Institute took effect (regulation/law).

**In retention:** an increase of NIS 65 million in pending claims. A substantial part of the adverse effect on the experience in respect of prior underwriting years, as described above, was attributed to the retention layer.

Home Insurance - Several large claims were received during the year, burdening the results of the Company. In addition, there was an adverse development in water damage claims. Furthermore, the sector is seasonal – the results of the fourth quarter of 2023 were better than those of corresponding quarters in prior periods, as a result of fewer weather events. Consequently, gross pending claims increased by NIS 2.9 million (NIS 3.2 million in retention).

Commercial - professional liability: increase in the provision, gross as a result of large claims (in the second quarter of 2023, reserves were increased by NIS 10 million as a result of a single claim and another substantial cyber claim in the fourth quarter of 2023 in an amount of US$ 3 million, which did not affect the Company in retention). The balances are discounted and therefore are affected by changes in the interest curve.

Commercial - product liability and third-party liability: increase in the provision, gross and in retention, as a result of additional exposure in 2023 and the lower number of the releases for prior years. The balances are discounted and therefore are affected by changes in the interest curve.

| Comparison of annual actuarial estimate compared with previous year's actuarial estimate – gross | | | |
|---|---|---|---|
| **Sectors** | **Addition as of 31.12.2022** | **Addition as of 31.12.2023** | **Change in reserve** |
| Compulsory vehicle | 782,934 | 841,499 | 58,565 |
| Vehicle property | 120,773 | 128,999 | 8,226 |
| Comprehensive home | 48,394 | 51,291 | 2,897 |
| Engineering insurance | 38,689 | 36,690 | -1,999 |
| Property | 40,262 | 41,401 | 1,138 |
| Employers' liability | 46,675 | 46,507 | -168 |
| Other | 4,264 | 4,737 | 473 |
| Product liability | 39,149 | 43,326 | 4,177 |
| Professional liability | 240,899 | 289,525 | 48,627 |
| Third-party liability | 106,262 | 112,811 | 6,550 |
| **Total** | **1,468,301** | **1,596,788** | **128,486** |

| Comparison of annual actuarial estimate compared with previous year's actuarial estimate – retention | | | |
|---|---|---|---|
| **Sectors** | **Addition as of 31.12.2022** | **Addition as of 31.12.2023** | **Change in reserve** |
| Compulsory vehicle | 637,043 | 702,018 | 64,974 |
| Vehicle property | 120,773 | 128,999 | 8,226 |
| Comprehensive home | 44,914 | 48,134 | 3,221 |
| Engineering insurance | 107 | 102 | -5 |
| Property | 226 | 186 | -40 |
| Employers' liability | 7,153 | 6,732 | -422 |
| Other | 621 | 680 | 59 |
| Product liability | 7,830 | 8,601 | 771 |
| Professional liability | 25,799 | 27,780 | 1,981 |
| Third-party liability | 12,815 | 13,959 | 1,144 |
| **Total** | **857,280** | **937,191** | **79,910** |

| **March 19, 2024** | **General Insurance Actuary Director** | **Shay Elgrably** | |
|---|---|---|---|
| Date | Position | Name of Actuary | Signature |

# **LIFE INSURANCE SECTOR – ACTUARY STATEMENT**

## **As of December 31, 2023**

## **AIG INSURANCE CO. LTD.**

**<u>Following is an actuarial statement regarding the Company's life insurance operations.</u>**

**<u>Special attention is drawn to section a.4 of the statement concerning notes and clarifications</u>**

## Section A.1 - Identity of the actuary

I am a salaried employee of AIG Israel Insurance Co. Ltd. I am a full member of the Israel Association of Actuaries (F.IL.A.A) since 2017. On January 2019 I was appointed by the Company to serve as supervising actuary in life insurance.

I am not an interested party in the insurer nor am a relative of an interested party.

I was requested by AIG Israel Insurance Co. to evaluate the provisions listed in Chapter B below in the life insurance sector for the financial statements ("the provisions") of the insurer AIG Israel Insurance Co. Ltd. at December 31, 2023, as detailed below.

## Section A.2 - Scope of the actuarial opinion

### 1. The actuarial opinion

1.1 For the purpose of calculating the insurer's provisions, I relied on data that I received from the insurer. My requests for information and data were satisfied adequately for the purpose of evaluating the provisions for financial statements purposes. I reviewed the reasonability and adequacy of the data, including comparing the said data with the data for the year to which the statement refers and the data for previous years.

1.2 Where necessary, my evaluation also relied on data received from other reliable sources. I reviewed the consistency and adequacy of the data and their relevance.

1.3 The actuarial assumptions that I used in my work, as well as the methods for evaluating the provisions specified below were determined by me, to the best of my professional judgment, and subject to the instructions, directives and principles specified in section A.3 below.

1.4 To calculate the retention, I asked the entities responsible for the insurer's reinsurance for information concerning the insurer's reinsurance arrangements, the ability to collect claims, and problems with the reinsurers' payment policy. Based on the information that I received, I reviewed the effect and implications of the reinsurance arrangements on the provisions.

1.5 The following matters were also taken into account in my opinion:

1) The provision calculated in respect of incoming businesses was calculated by the actuary (in that regard "incoming businesses" as defined in Insurance Business Supervision Regulations (Methods of Calculating Provisions for Future Claims in General Insurance), 1984.

2) As of the date of this report, in segments relevant to this opinion, no joint insurance policies exist where the Company is the leading insurer.

## 2. Amounts of provisions

1) Provisions for pending claims (claims which have taken place buy have not yet been fully paid, whether approved or not) as well as the direct and indirect expenses arising there from (including provision for claims which have not yet been reported to the insurer):

a) Sectors in which an actuarial provision for pending claims was calculated:

| Sector | Gross provision (NIS thousands) | Provision in retention (NIS thousands) | % retention |
|---|---|---|---|
| Life insurance | 39,320 | 32,583 | 83% |
| Permanent disability | 18,141 | 12,802 | 71% |
| Disability from accident | 10,131 | 7,919 | 78% |
| Unemployment | 54 | 27 | 50% |
| Severe illness | 3,651 | 2,717 | 74% |
| Medical expenses | 2,544 | 1,698 | 67% |
| **Total life - individual** | **73,841** | **57,746** | **78%** |
| **Life – collective** | 0 | 0 | 0 |

b) Provision for indirect expenses for claim settlement

| Sector | Gross provision (NIS thousands) | Provision in retention (NIS thousands) |
|---|---|---|
| Life insurance – individual | 1,528 | 1,528 |

2. Provision (reserve) arising from terms of a separate life insurance contract:

a. The Company does not have plans on accrual basis.
b. The Company does not have claims that are paid as allowances/annuities
c. The Company does not have policies that provide profit sharing.
d. Complementary amount arising from testing reserve appropriateness – no need was identified for such complementary amount.
e. The company has insurance policies where some of the premium collected in the early years of the contract is designed to provide coverage at a later date – set forth below are the provisions in respect of fixed premium:

| Sector | Gross provision (thousands of NIS) | Provision in retention (thousands of NIS) |
|---|---|---|
| Life insurance - individual | 2,003 | 2,003 |

f. Additional provisions for policies with non-monthly premium install installments, for which unearned premium reserve is calculated:

| Sector | Gross provision (thousands of NIS) | Provision in retention (thousands of NIS) |
|---|---|---|
| Life insurance – individual | 45 | 45 |

**3. Details on changes in provisions**

Below is the amount of changes in provisions (in thousands of NIS) at both gross and retention levels, as follows:

1) For policies that came into effect after the end of the reported period of the last financial statements – the adjustment amount of the provisions – arising from the difference between the premium basic assumptions and the provision basic assumptions – no such adjustment was required.

2) For policies which came into effect before the end of the reported period of the last financial statements – the adjustment amount of the provisions – arising from changes in premiums, methods or the level of premium that is expected to be collected and other adjustments – no such adjustments were required.

**Section A.3 – the Opinion**

I hereby declare and confirm that in the life insurance sector:

1. I evaluated the insurer's provisions listed in Section A.2 above in accordance with the instructions, directives and principles set forth below, and in effect as of the date of the financial statements:

   a. The provisions of the Control of Financial Services (Insurance) Law, -1981, and regulations promulgated thereunder.
   b. Instructions and directives issued by the Commissioner of Insurance;
   c. Acceptable actuarial principles.

2. After reviewing the data mentioned in Chapter A.2, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my evaluation.

3. I determined the assumptions and methods used to assess the provisions, to the best of my professional judgment, and in accordance with the instructions, directives and principles specified above.

4. To the best of my knowledge, the provisions specified in Section A.2 form an adequate reserve for covering the insurer's commitments in respect of its liability arising from life insurance contracts, in effect as of the date of the financial statements.

**Section A.4 – Comments and Clarifications**

**a. The types of coverage included in this report**

1) Coverage for the event of death (risk, mortgage risk)
2) Coverage for total and permanent disability
3) Coverage for accident-caused disability
4) Coverage for accident-caused death
5) Coverage for unemployment
5) Coverage for serious illness
5) Coverage for medical expenses

Coverage for serious illness and health services not covered by basic government services are included in the actuarial report for the general segment.

**b. Types of reserves and assumptions**

The insurance portfolio comprises life insurance and health insurance coverage. All payments to policyholders are compensation in respect of an insurance event. The insurance amounts are paid as a one-off payment except for unemployment allowance insurance under which an allowance is paid for a period of up to a year. However, payments under health insurance coverage constitute indemnification withion the liability limit set out in the policy.

IBNR provisions in life insurance for insurance events outstanding in the Company, as is generally the custom in insurance companies, is based on the "triangles methods", which are methods that follow up the development of claims over time and which make it possible to estimate pending and unreported claims in accordance with past rates of paid claims or known claims (paid+pending).

**c. Statistical and actuarial uncertainty**

There is statistical uncertainty in the process of estimating the various actuarial reserves. These estimates are based on certain assumptions and these assumptions best reflect the things that are currently known to us. There may be future changes in the legal, judicial, social and economic environment that will have an effect on these assumptions. These changes may have an unpredictable effect on the total future actuarial reserves.

**d. Exposure to future developments and changes**

Changes and developments may occur in conditions in the Israeli life insurance market, following regulatory changes, court rulings, technological developments and changes in social and environmental conditions. Those factors may not be predicted in advance, and may have impact on final cost of claims, as well as the actuarial estimate for provisions.

**e. Reconciliation of appendix data to the financial statements**

The tables in the above appendices were prepared according to the guidelines of the Commissioner, and the composition of the data therein may not necessarily correspond to the information in the Company's financial statements and notes.

| **March 19, 2024** | **Life Insurance Actuary Director** | **Tom Hamo, F.IL.A.A** | |
|---|---|---|---|
| Date | Position | Name of Actuary | Signature |

**Declaration of Chief Actuary**

In accordance with the provisions of the consolidated circular – Supervising Actuary and Chief Actuary (no. 2022-9-23), the Commissioner has approved my appointment, Shay Elgrably, as Chief Actuary at AIG Israel Insurance Company Ltd. on February 26, 2023.

I am a salaried employee of the insurer. I am not an interested party in the insurer or with a family member of an interested party in the insurer.

I declare that:

(a) Meticulous and proper processes were conducted in relation to the various activities that supported the calculations of the supervising actuaries.

(b) The actuarial calculations for which the Supervising Actuary is responsible have been subjected to proper controls and tested for reasonability in preparation for their implementation in the financial statements.

(c) There is sufficient and reasonable documentation for the actuarial calculations and processes.

(d) The level of detail in the report is consistent with the nature, scope and complexity of the risks embodied in the operations of the Company.

| | | |
|---|---|---|
| **March 19, 2024** | **Shay Elgrably** | |

**HEALTH INSURANCE SECTOR – ACTUARY STATEMENT**

**AS OF DECEMBER 31, 2023**

**AIG ISRAEL INSURANCE CO. LTD.**

## Chapter A - Identity of the actuary

I am a salaried employee of AIG Israel Insurance Co. Ltd. I am a full member of the Israel Association of Actuaries (F.IL.A.A) since 2017. In January 2019, I was appointed by the Company to serve as supervising actuary in health insurance.

I am not an interested party in the insurer nor am I a relative of an interested party in the insurer.

I was requested by AIG Israel Insurance Co. Ltd. to evaluate the provisions listed in Chapter B hereafter in the health insurance sector for the financial statements ("the provisions") of the insurer AIG Israel Insurance Co. Ltd. at December 31, 2023, as detailed below.

## Chapter B - Scope of the actuarial opinion

### 1. Scope of the actuarial opinion section

1.1 For the purpose of calculating the insurer's provisions, I relied on data that I received from the insurer. My requests for information and data were satisfied adequately for the purpose of evaluating the provisions for financial statements purposes. I reviewed the reasonability and adequacy of the data, including comparing the said data with the data for the year to which the statement refers and the data for previous years.

1.2 Where necessary, my evaluation also relied on data received from other reliable sources. I reviewed the consistency and adequacy of the data and their relevance.

1.3 The actuarial assumptions that I used in my work, as well as the methods for evaluating the provisions specified in section 2 below were determined by me, to the best of my professional judgment, and subject to the instructions, directives and principles specified in section 1 to Chapter C, below.

1.4 To calculate the retention, I asked the entities responsible for the insurer's reinsurance for information concerning the insurer's reinsurance arrangements, the ability to collect claims, and problems with the reinsurers' payment policy. Based on the information that I received, I reviewed the effect and implications of the reinsurance arrangements on the provisions.

1.5 The following matters were also taken into account in my opinion:

1.5.1 The provision calculated in respect of incoming businesses (in that regard "incoming businesses" as defined in Insurance Business Supervision Regulations (Methods of Calculating Provisions for Future Claims in General Insurance), 1984): an estimate was not calculated since the company does not have business of this type.

1.5.2 The provision that was calculated for co-insurance where the company is not the leading insurer: the company does not have business of this type.

## 2. Data included in the section on the scope of the actuarial opinion

### 2.1 Provision for pending Claims

2.1.1 Sectors for which an actuary provision for pending claims was calculated:

| Sub-sector- health insurance | Gross provision | Provision in Retention |
|---|---|---|
| | NIS in thousands | |
| Personal accidents – individual | 84,831 | 82,285 |
| Personal accidents – collective | 266 | 266 |
| Overseas travel– individual | 11,185 | 11,185 |
| Overseas travel – collective | - | - |
| Severe illness – individual | 5,795 | 4,842 |
| Total reported in general insurance | **102,077** | **98,577** |

Provision for indirect expenses for settlement of claims

| Provision for indirect expenses for settlement of claims (gross and retention) | |
|---|---|
| NIS in thousands | |
| **Type of activity** | **Health insurance** |
| Individual | 4,191 |
| Collective | 13 |
| **Total** | **4,204** |

Provision deriving from conditions of insurance contracts (contract reserve)

In some of the products available in the personal accidents – individual sub-sector, we found that a provision needs to be made which arises from the conditions of the insurance contract.

| Sub-sector | Gross provision | Provision in retention |
|---|---|---|
| | NIS in thousands | |
| Personal accidents – individual | 6,475 | 6,475 |

Provision in respect of profit sharing:

No provision was calculated since the company does not have business of this type.

2.1.2 The figures presented above do not include a provision for unearned premium.

**Chapter C – the Opinion**

"I hereby declare and confirm that in the following subsectors of health insurance, personal accidents individual and group, critical illness, travel abroad individual and group and medical expenses:

1. I evaluated the insurer's provisions listed in Chapter B in accordance with the instructions, directives and principles set forth below, and in effect as of the date of the financial statements:

   1.1 The provisions of the Control of Financial Services (Insurance) Law, -1981, and regulations promulgated thereunder.
   1.2 Instructions and directives issued by the Commissioner of Insurance;
   1.3 Acceptable actuarial principles.

2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my evaluation.

3. I determined the assumptions and methods used to assess the provisions, to the best of my professional judgment, and in accordance with the instructions, directives and principles specified above.

4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve for covering the insurer's commitments in respect of its liability arising from health insurance contracts included in the health insurance subsectors listed above, in effect as of the date of the financial statements."

**Chapter D – Comments and Clarifications**

1. Position of the Commissioner – As per the circular issued by the Commissioner, dated January 15, 2015, beginning on the 2015 year-end, testing that it is fairly likely that, based on a probability estimate of at least 75%, the reserves in the compulsory and liability sectors will be sufficient to cover insurer liabilities.

   The position of the Commissioner does not specifically refer to health insurance segments, but we believe that it should be also applied to those segments.

2. Discount interest rate was used only for calculating provisions arising from the insurance contract. Discount interest was only used to compute the provision deriving from the insurance contract. The interest rate is the NIS risk-free interest (linked to the CPI) which was published at the end of December 2023.

3. The risk-free, fixed-interest discount rate was set in light of the fact that a considerable portion of the Company's investments are made in high-rated government bonds and/or corporate bonds.

4. The process of assessing the various actuarial provisions involves statistical uncertainty. These assessments are based on certain assumptions which reflect the information currently available to us. There may be future changes, which will have an effect on these assumptions in terms of legislation, legal rulings and economic and social environments. It is impossible to predict these factors and they may affect the final cost of the claims thus affecting actuarial estimate of the provisions.

| **March 19, 2024** | **Health Insurance Actuary Director** | **Tom Hamo, F.IL.A.A** | |
|---|---|---|---|
| Date | Position | Name of Actuary | Signature |

**Declaration of Chief Actuary**

In accordance with the provisions of the consolidated circular – Supervising Actuary and Chief Actuary (no. 2022-9-23), the Commissioner has approved my appointment, Shay Elgrably, as Chief Actuary at AIG Israel Insurance Company Ltd. on February 26, 2023.

I am a salaried employee of the insurer. I am not an interested party in the insurer or with a family member of an interested party in the insurer.

I declare that:

(a) Meticulous and proper processes were conducted in relation to the various activities that supported the calculations of the supervising actuaries.

(b) The actuarial calculations for which the Supervising Actuary is responsible have been subjected to proper controls and tested for reasonability in preparation for their implementation in the financial statements.

(c) There is sufficient and reasonable documentation for the actuarial calculations and processes.

(d) The level of detail in the report is consistent with the nature, scope and complexity of the risks embodied in the operations of the Company.

| | | |
|---|---|---|
| **March 19, 2024** | **Shay Elgrably** | |