AIG Israel Insurance Company Ltd

Financial Report for Year Ended 2024

Contents

<u>Chapter A: Description of the Company’s Business</u>
For the year ended December 31, 2024

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

March 25, 2025

Description of corporate business for the year ended December 31, 2024

This report constitutes a description of the Company's business as of December 31, 2024 and reviews the Company and the development of its business as occurred in 2024 ("**the reported period**"). The information in this report as updated as of December 31, 2024 ("**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.

Table of Contents:

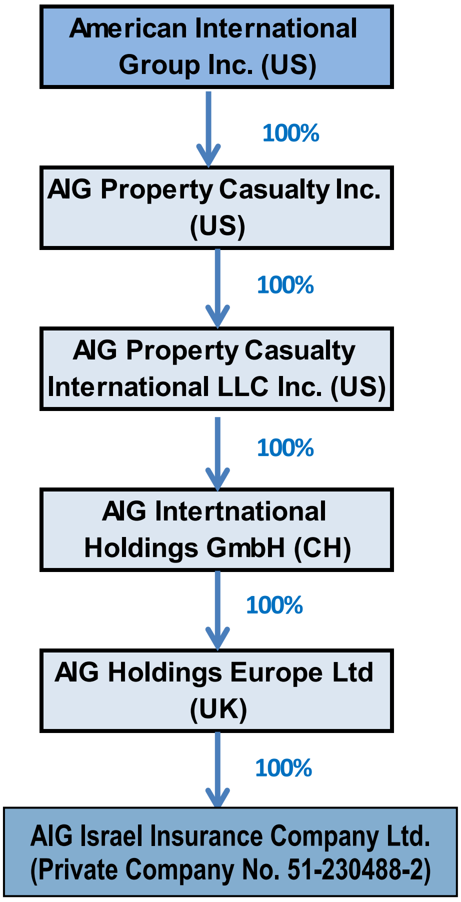
1. Part A: the activity of the Company and the development of its business

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 property insurance (self and third-party), compulsory motor vehicle insurance, health insurance (personal injury, illness and hospitalization 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.

In September 2024, the “Circular Concerning the Filing of Insurance Plans in Vehicle Property Insurance”, as described in section 4.1, came into effect, and the Company started implementing it.

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 4.53% in 2023 (final rate), and is 4.25% in 2024 (interim rate) and 4.84% in 2025 (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. In November 2024, the Commissioner published an additional amendment to the provisions of the aforesaid consolidated circular, which updates 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 2022. For additional information, see this section under the heading, “Subrogation claims of the National Insurance Institute of Israel”.

<u>The Road Accident Victims Compensation Fund ("**Karnit**")</u>

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.

<u>Arrangements for distributing the compensation burden among insurance companies</u>

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.

<u>Subrogation claims of the National Insurance Institute of Israel</u>
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 2014-2023 ("**2014-2023 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 2014-2023 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.

In November 2024, an amendment to the provisions of the consolidated circular concerning the compulsory vehicle sector was published, which updates 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 2022. The aforesaid update shall apply to the net insurance premiums in the Pool for private and commercial vehicles up to 3.5 tons and to motorcycles. It also updates the net insurance premiums in the Pool, such that a rate of 0.95% will be deducted from said premiums as a result of the updating of the overall account-settlement rate between the Pool and the National Insurance Institute of Israel from 10% to 10.95% as from January 1, 2025, this pursuant to the amendment of Section 328A of the National Insurance Law and the institution of a mechanism for the settling of accounts with respect to car accident claims between the National Insurance Institute of Israel and the Pool and insurance companies. The circular will apply to compulsory vehicle insurance policies that come into effect on January 1, 2025 and thereafter.

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 14.6 million (including the Pool), as compared to a decrease of NIS 9.6 million in 2023.

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 personal accidents insurance, illness and hospitalization insurance, and overseas travel insurance sub-segments.

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 accidents 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 death and severe 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 and severe illness.

1.2.7 **Health insurance for covering medical expenses**

Health insurance policies that cover medical expenses and include various layers:

1. A basic policy that provide coverage for drugs that are not included in the basket of drugs approved by the government, transplants and special procedures abroad, as well as surgical procedures and non-surgical alternative treatments abroad.

2. A layer of surgical procedures and non-surgical alternative treatments in Israel, which offers a choice between 3 surgical coverages:

   a. Additional Healthcare Services Plan ("AHSP") Supplemental Surgical Coverage, with a co-payment of NIS 5,000, which indemnifies the policyholder for the portion paid by them for a surgical procedure performed under the AHSP. For this coverage, the policyholder must first exhaust their rights under the HMO's AHSP.

b. AHSP Supplemental Surgical Coverage, without co-payment
c. "From the First Shekel" Surgical Coverage

3. Additional health insurance plans, which include the following:
   a. Consulting, tests and expedited diagnosis
   b. Medical assistance and treatments in connection with a significant event, such as a surgical procedure, hospitalization or severe illness
   c. Advanced-technology treatments and medical devices
4. Various service appendices that offer ambulatory treatments, complementary medicine treatments, and more.

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 private surgical procedures 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. The aforesaid amendment applies to "First Shekel" surgical insurance policies entered into or renewed commencing on the effective date of the amendment - October 1, 2023. It should be noted that double insurance does not arise where the individual subscribed to an AHSP also holds an "AHSP Complementary" insurance policy.

In March 2024, the Commissioner published a circular containing performance directives regarding the transfer of policyholders from a "first shekel" surgical insurance policy that is not part of a collective health insurance policy entered into before the record date (October 1, 2023) to an "AHSP Supplemental" surgical insurance policy, including the mandatory wording of the insurance company's notice to the policyholder regarding the transfer of a policyholder to an "AHSP Supplemental" surgical insurance policy, before and after the transfer, and provisions regarding the content of such notices, their delivery schedule and the manner by which they are to be delivered to the policyholders. The circular also includes provisions regarding the cancelation of such transfer and the manner in which the policyholder may deliver a notice declining such transfer. Concurrently with the publication of the aforesaid circular, the Commissioner published an amendment to the provisions of the consolidated circular concerning the "Obligation to Offer a Plan with Supplemental Insurance Coverage to that of Additional Healthcare Services Plans (AHSP)", pursuant to which AHSP supplemental insurance policies will indemnify policyholders only with respect to the following incidents and/or expenses: (a) private surgery in Israel, only if the AHSP of which the policyholder is a member does not include insurance coverage for the expenses of the surgical procedure and/or the surgeon is not included in an arrangement with the HMO and is included in a surgical arrangement with the insurance company; (b) the deductible that was paid by the policyholder for a surgical procedure financed through an AHSP, even if the surgeon is not included in an arrangement with the insurance company; and(c) the purchase of an accessory if such accessory is not covered by the AHSP, but is covered by the insurance policy of the insurance company. These provisions will apply to AHSP supplemental insurance policies that are entered into or renewed as from their publication date. Accordingly, on June 1, 2024, policyholders that held at that time “First Shekel” surgical insurance policies were automatically transferred to “AHSP Supplemental” insurance policies, with the exception of policyholders who expressed their wish to maintain the original insurance policy.

In August 2024, the Commissioner published a circular concerning the contesting of a payment demand for First-Shekel surgical procedures, which prescribes provisions for the contesting by an insurance company of a payment obligation to an HMO by virtue of the Supervision Law, with respect to surgical procedures performed and financed under the HMO’s AHSP plan, this where the policyholder holds a First-Shekel surgical insurance policy, and the insurance company believes that such insurance policy does not cover the surgical procedure that is the subject of the HMO’s payment demand. According to the circular, the Capital Market Authority will review the insurance company’s claim and update the HMO thereof, and, after studying the arguments, the Capital Market Authority will inform the company and the HMO of its decision.

1.3 Investments in capital and share transactions

In 2023 and 2024, 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.

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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 April 2024, a unique "emotional support" coverage was added to comprehensive vehicle insurance customers. The coverage is designed to offer preliminary emotional support upon the occurrence of an insurance event.

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/occasional drivers, who drive the parents' cars frequently, but not regularly.

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 2024, the main competition in this segment, by premium turnover are, , IDI Insurance Company Ltd. ("**Direct Insurance**") (14.7%), The Phoenix Insurance Company Ltd ("**The Phoenix**") (14.2%); Harel Insurance Company Ltd. ("**Harel**") (11.1%), and Clal Insurance Company Ltd. ("**Clal**") (9.6%). The market share of the Company in this segment in total premiums during that period is 6.3%.

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 July 2024, the Commissioner published the Insurance Company Service Index for 2024 ("**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 Claim Handling Index component in vehicle property insurance, this for eleven consecutive years, and first in the Claim Time to Payment Index component in vehicle property insurance. 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):

	2024	**2023**	**2022**
Direct marketing	807,296	623,072	453,683
Through insurance agents	79,540	70,558	43,978
Total	**886,836**	**693,630**	**497,661**

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 2024 in terms of premiums for policies that were in effect in the previous year is 77.3%.

f. The rate of customers who are also insured in compulsory vehicle insurance in 2024 is 96.7%.

g. The following information shows customers in vehicle property insurance in terms of premium in 2024 in percentage terms by years of first engagement:

First year of the first policy with the Company:	**%**
2024	41%
2023	19%
2022	11%
Until 2021	29%
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, , Menorah Mivtachim Insurance Ltd. ("**Menorah**") and Migdal Insurance Company Ltd. ("**Migdal**"). According to the data of the financial statements for the first nine months of 2024, the total share of these companies in the total gross premiums in the segment is 65.2% The share of the Company out of the total premiums in this sector was about 4.8%.

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 July 2024 show that the Company is ranked sixth in the Claim Handling Index component compulsory vehicle insurance. 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):

	2024	**2023**	**2022**
Direct marketing	305,576	251,407	227,589
Through insurance agents	14,086	10,941	3,238
Total	**319,662**	**262,348**	**230,827**

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 2024 in terms of premiums for policies that were in effect in the previous year is 79.1%.

f. The rate of customers who are also insured in vehicle property insurance in 2024 is 93.6%.

g. The following information shows customers in compulsory vehicle insurance in terms of premium in 2024 in percent by years of first engagement:

First year of the first policy with the Company:	%
2024	39%
2023	19%
2022	11%
Through 2021	31%
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 publications of the Authority, 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 2024, the main competitors in this segment, by premium turnover are Harel (17.0%), The Phoenix (13.8%), Direct Insurance (13.0%), Clal (11.5%), and Migdal (10.4%). 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 July 2024 show that the Company is ranked first in the Claim Handling Index component in home insurance, for 11 consecutive years, and first in Claim Time-to-Payment 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 2024 in terms of premiums for policies that were in effect in the previous year is 94.5%.
e. The following information shows customers in home insurance in terms of premium in 2024 in percent by years of first engagement:

First year of the first policy with the Company	**%**
2024	17%
2023	13%
2022	12%
Until 2021	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.

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 2024, the main competitors in this segment by premium turnover are Harel (19.1%), Ayalon Insurance Company Ltd. (15.2%), The Phoenix (14.9%), Clal (13.0%), Menorah (11.4%), and Migdal (8.9%). The share of the company in the professional liability and other liability from total premium turnover in the reported period is 1.5%, and the share of the Company in the property and engineering insurance by premium turnover in that period is 1.0%.

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.

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"). As a result of the War Event:

- In 2023, 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).
- In 2024, there was a reduction in the overseas travel premiums in the health insurance sector, as a result of the decrease in overseas travel by Israelis due to the War Event.

For additional 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.

Commencing on December 2, 2024, the overseas travel business sold by the Company is provided in a format of 100% reinsurance by a company of the Zurich Holding Company of America, Inc concern (through a company in the global AIG International corporation), which will bear the full cost of the claims, with the addition of reimbursement of expenses and a commission.

For more information about the general characteristics of this segment, see paragraph 1.2.7 above.

2.5.2 Competition

In the years 2023-2024, the Company, Direct Insurance and Harel were the only companies offering personal accidents insurance policies. In the personal accidents insurance sector, according to the Authority's data for 2023, the Company's market share of the premiums was 5.8%.

In the overseas travel insurance sector, according to the Authority's data for 2023, the Company's market share of the gross insurance premiums was 5%. 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 July 2024 rank the Company first in the Claim Payment Index component in overseas travel insurance , this for 11 consecutive years, and is also ranked first in the Claim Time-to-Payment Index component in overseas travel insurance, for the 11th consecutive year.

In addition, the Company was ranked first in the Claim Payment Index component in personal accidents insurance, and first in the Claim Time-to-Payment Index component in personal accidents insurance. In the assessment of the Company, the continued annual publication of the Service Index will enhance the competition in the health insurance sector, and could position the Company as a top-service provider in this 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):

	2024	**2023**	**2022**
Private customers – personal accidents insurance	110,097	111,556	108,426
Private customers – severe illness insurance	19,745	18,979	18,830
Overseas travel insurance	49,893	55,387	47,454
Total	**179,735**	**185,922**	**174,710**

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 2024 of health insurance policies that were in effect at the beginning of the year, in terms of premiums, was 9.0% of total premiums.

2.6 **Operating segment F – Life insurance**

2.6.1 **Products and services**

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.

An amendment to the consolidated insurance circular, published in July 2024, updated the demographic assumptions that serve as the basis for the quarterly calculation of the liabilities with respect to life insurance policies that allow for the receipt of annuities at guaranteed conversion rates based on up-to-date demographic assumptions, as described in section 4.1 below..

In 2023, as a result of 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). In 2024, the War Event had no material effect on total claims in the sector. 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 94% 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 3.2%.

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.

According to data published by the Authority in 2024, the Company is ranked third in the Claim Payment Index in life insurance and first in the Claim Time to Payment Index in life insurance. In the assessment of the Company, the continued annual publication of the service index will enhance the competition in the life insurance sector, and could position the Company as a top-service provider in this 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.

2.6.3 **Customers**

- 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.
- 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 own funds report and the solvency ratio report of insurance companies. 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. together with the provisions of the consolidated circular, "Management of Investment Assets - Rules for Investment of the Assets of an Insurance Company" ("**the Investment Rules Provisions**"). 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 Insurance Regulations (Terms of Private Vehicle Insurance Contracts), 1986 and in the Supervision of Financial Services Regulations (Insurance) (Terms of Compulsory Motor Vehicle Insurance Contracts), 2010, respectively.

- 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 April 2024, the Commissioner published an amendment to the provisions of the consolidated circular concerning "Reports to the Commissioner - Version 12", which updated the list of profit components that must be included in insurance companies' quarterly publication on their websites and in their reports to the Authority with regard to the contribution of the investment components of their nostro portfolio, introducing to the list investment funds and ETNs (in place of ETFs).
- In April 2024, an update to the provisions of Chapter 9 to Part 1 of Volume 5 of the consolidated circular titled "Supervising Actuary and Chief Actuary" was published, providing for the mandatory preparation of an annual report by the Chief Actuary, to be submitted on the date of submission of the Company's economic solvency reporting files for the end of the past year. 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. The circular sets forth guidelines for the content of the report and the essential information to be included therein, placing an emphasis on topics that require special attention, such as weaknesses and uncertainties inherent in the results that served as a basis for the reports, as well as the consistency of the work methods employed by the actuarial team in the various segments.
- In May 2024, the Authority published two circulars as part of a comprehensive regularization of vehicle property claims, including regularization of the existing vehicle property insurance policies, involving the institution of a mechanism for determining the fees of a random appraiser that will be comprised of a fixed component and a variable component, all as set forth below:
    - Amendment of the provisions of the Consolidated Circular, Volume 6 Part 2 - Directives in the Vehicle Property Insurance Sector - The amendment cancels the limited lists of external appraisers and determines that all insurance companies are to use a broad and dynamic pool of appraisers and a random selection mechanism, in order to reduce the link between the appraisers and the various functions that are involved in the process, thereby enhancing the appraiser's professional independence. It also sets directives that will encourage an increase in the number

of agreement garages, which will hereafter be referred to as "accepted garages", and regulating the insurance companies' engagement with garages that perform repairs on their behalf, in line with the compensation methods provided for in the policy. The amendment to the circular will take effect on the later of May 1, 2025 or the effective date of professional directives that are planned to be published by the Ministry of Transport, which will provide for the inclusion in the vehicle's valuation of the market price of the spare parts the replacement or repair of which is required, this in accordance with Government Resolution 196, "Vehicle Spare Parts"[1]. To the date of this report, the aforesaid professional directives have not yet been published[2].

- A circular concerning the submission of insurance plans in the vehicle property sector - In May 2024, the Authority published a circular concerning the submission of insurance plans in the vehicle property insurance sector, according to which the insurance companies would be required to update the wording of the insurance plan, so as to provide disclosure in the insurance plan of the rules for the reduction of the insurance benefits in the event of deduction of damage reduction (i.e., deduction of a portion of the insurance benefits, or a similar action (this with respect to the difference between the pricelist of the spare-parts importer quoted by the appraiser in the appraisal 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 or due to a discount offered by a garage on the total cost of the repairs). The deduction rules, as above, shall be subject to approval by the Authority within the framework of an application to institute an insurance plan. In addition, a vehicle insurance plan will specify that, where a policyholder has elected to repair their vehicle in a non-agreement garage and has notified the insurance company, subject to the policy that they had purchased, of the insurance event prior to repairing the vehicle, and has taken reasonable measures as instructed by the insurance company, and the aforesaid garage has consented to assume the terms of the insurance company's agreement prior to repairing the vehicle, the company shall deduct from the insurance benefits the deductible amount that would have applied had the policyholder repaired the vehicle at an agreement garage. The circular further determines that the insurance company shall not include in a vehicle property insurance plan compensation for constructive total loss, except in those types of cases that have been submitted by the company to the Authority within the framework of an application to institute the insurance plan, to which the Authority had not objected. The provisions of the circular apply to all vehicle property insurance plans marketed commencing on September 1, 2024 (except with regard to the inclusion of compensation for constructive total loss in vehicle property insurance plans, as this directive will only

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[1] The aforesaid Government resolution determines, inter alia, that, by virtue of its authority under Section 153 of the Licensing of Services and Professions in the Vehicle Industry Law, 2016, the Minister of Transport would be required to present to the Advisory Committee for Vehicle Appraisers for consultation, within 30 days of the date of the resolution, draft professional directives to supersede the collection of the professional guidelines for vehicle appraisers (hereinafter - "the Guideline"), which shall be based on the existing professional guidelines with the following modification: the vehicle's valuation will include the market price (as defined in the resolution) of the spare parts the replacement or repair of which is required, as aforesaid.

[2] To the best of the Company's knowledge, as part of a petition filed by the Israel Garages Association (non-profit) with the High Court of Justice, the Court ordered the receipt, by May 1, 2025, of an update notice from the Capital Market Authority and the Ministry of Transport regarding the Minister of Transport's approval of the amendment of the professional directives.

take effect once applicable regulations have been enacted). The Company would be required to adjust its insurance plans and submit them to the Authority based on the principles prescribed in the circular and to collect deductible from policyholders in accordance with those principles. In addition, the cancellation of the option to receive constructive total loss compensation is expected to reduce insurance claim costs.

- In addition to the aforesaid circular, the Commissioner issued a letter to the managers of the insurance companies concerning the aforesaid regularization, in which he requested the insurance companies to submit as part of the process for the institution of the insurance plan, the mechanisms for the selection of the appraiser pending the coming into effect of the circular, as well as the structure of the fees and the amount of the fees, on their various components. Furthermore, in order to examine the reasonability of the commissions model for the garage, the insurance companies are required to attach to insurance plan applications submitted to the Authority the model of the commissions that would be paid to the garage, where the repair involves the replacement of spare parts, which shall be calculated, inter alia, in relation to the cost of the spare parts and their type (genuine or alternative and/or used) used in the repairs. The aforesaid letter states that, should it be found that the structure of the fees or the model of the commissions paid to garages do not realize the objectives of the amendment to the consolidated circular in the property insurance sector and the circular concerning the institution of insurance plans, including by maintaining a balance between the various stakeholders in a vehicle property insurance claim, enhancing the independence of the appraiser and encouraging the appraiser to perform a quality appraisal of the damage and the method of repair, and using reasonable means to reduce the damage, the Authority will consider supplementary steps with regard to a reasonable model of fees to a random appraiser within the framework of a vehicle property insurance claim and the model of commissions payable to garages.

- In July 2024, “Amendment to the Provisions of the Consolidated Circular Concerning the Measurement of Liabilities - Updating of the Set of Demographic Assumptions in Life Insurance and in the Pension Funds” was published, which contains updated default assumptions that insurance companies are required to use in their calculation of the retirement-date annuity rates in life insurance policies and to perform quarterly calculations of the liabilities with respect to life insurance policies that allow for the receipt of annuities at guaranteed conversion rates based on up-to-date demographic assumptions.

- In August 2024, the Commissioner published a fourth update to the Roadmap for the Adoption of IFRS 17 (“the Roadmap”), which updates the provisions concerning the required reports to the Authority on quantitative impact studies, QIS2 and QIS3, as well as the applicable reporting forms. The Authority has set a uniform discount interest rate for all insurance companies, based on the bottom-up approach, according to which the discount rate for contracts that are not yield-dependent will be determined by adding an illiquidity premium (that reflects the illiquidity rate of the liability) to the risk-free discount interest rate, which is based on the liquid market.

- In January 2025, the Commissioner published a fifth update to the Roadmap, which updates the information requirements for QIS-3, and also introduces optional exceptions for the implementation of IFRS 17 that may be adopted by companies with a low volume of activity (maximum total assets of NIS 50 billion as per the company’s stand-alone financial statements as of December 31, 2024). According to the update, such companies are permitted, inter alia, to commence implementing the aforesaid standards starting in the periodic report as of June 30, 2025, with the same transition date, subject to the inclusion of pro forma data for prior reporting periods and the submission of the periodic report and the accompanying reports as of June 30, 2025 within 3 months of the end of the quarter, and will also not be required to include in their financial statements as of June 30, 2025 a note on assets and liabilities in respect of insurance contracts and reinsurance contracts.

- In January 2025, the Commissioner published an update to the consolidated circular, “Public Reporting of Sample Interim Financial Statements of an Insurance Company Under IFRS 17”, which updates the structure of the disclosure required in the quarterly financial statements, addressing, inter alia, disclosures that are specific to the first year of implementation of the standards.
- In September 2024, an amendment was published to the provisions of the consolidated circular, “Management of Investment Assets - Rules for Investment of the Assets of an Insurance Company”. The amendment, inter alia, updates definitions due to the cancellation of the Supervision of Financial Services Regulations (Insurance) (Minimum Equity Required of an Insurer), 1998, and introduces rules for the investment of the assets of an insurance company against liabilities that are not yield-dependent. These rules include, inter alia, principles for the management of investments and assets, provisions for the management of the liquidity risk, provisions for the classification of liabilities and the holding of assets against such liabilities, quantitative limits for investment in assets in relation to various types of liabilities and in relation to equity, restrictions on the control and holding of means of control by an insurance company, restrictions on investment in an insurance company, restrictions on investments in related parties and transactions with related parties, and set a higher investment in relation to equity limit of 40% as well as provisions for investments against certain types of liabilities. In addition, the circular adjusts the provisions concerning the volume of assets that are required to be provided against certain types of liabilities and equity for insurance companies that will implement International Financial Reporting Standard (IFRS) No. 17 (“IFRS 17”), and establishes provisions for the holding of assets against certain types of liabilities, inter alia, due to the anticipated creation of new assets in the statement of financial position as a result of the implementation of said standard.
- In February 2025, the Commissioner published a letter to the managers of the insurance companies regarding the solvency ratio target. In the letter, the Commissioner clarified the appropriate practices for determining a capital target, in a manner that ensures the resilience of insurance companies against various risk factors. The practices mentioned in the letter are: examination of diverse sensitivity tests of changes in demographic and operational assumptions, as well as of combined scenarios, including changes in the business environment according to the specific risk profile of the insurance company; performance of sensitivity tests on both the current full solvency ratio and the future solvency ratio; and determination of the intensity of the sensitivity tests, taking into account the potential for change in risk factors, in accordance with the economic environment and the historical volatility of the risk factors.

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 2024, the Commissioner published draft updates to the Roadmap, to “Professional Issues in Implementing International Financial Reporting No. 17 in Israel” (“IFRS 17 Professional Issues Circular”), and to additional updates pertaining to the manner of implementation of International Financial Reporting Standards Nos. 17, 19 and 1 (“the Standards”), as follows:
  - A draft update from April to the IFRS 17 Professional Issues Circular addresses the impact of published circulars on the accounting treatment under IFRS 17 of the setting up of health insurance plans and personal accidents insurance, eliminates the option of adding an illiquidity premium in accordance with the directives of the Standard, which requires accounting for the liquidity characteristics of the insurance contracts in determining the discount rate and introduces default directives for weights based on accounting portfolios rather than by cash-flow groups where the use of cash-flow groups is not readily practicable. In addition, the draft updates the directives concerning the risk adjustment of non-financial risks, as regarding the adjustment of the confidence interval of portfolios characterized by high risk, and introduces directives for measurement on the transition day.
  - Fifth draft to the Q&A file for the implementation of the Standards from August 2024 - the draft includes several changes, primarily concerning the technical updating of the transition and implementation dates of IFRS 17.
- In January 2025, a draft position paper of the Commissioner was published, which prohibits insurance companies from discriminating against insurance candidates based on address or area of residence. According to the position paper, insurance companies may not base their decisions of whether to accept an individual to a vehicle insurance plan based on considerations that constitute geography-based discrimination. This includes prohibiting insurance companies from imposing additional requirements on vehicle insurance candidates for the purpose of completing the underwriting process and purchasing insurance, solely because of their address or area of residence, especially requirements that the insurance candidate will find difficult to meet. Furthermore, insurance companies are not allowed to perform "strict underwriting," in which an insurance candidate is required to present confirmation of a clean insurance history for a period exceeding three years, a confirmation that is not available to the insurance candidate and may prevent them from completing the underwriting process and purchasing insurance in any case.
- In February 2025, a draft amendment to the circular regarding the collection of statistical information on public inquiries in public institutions was published. The purpose of the amendment is to create uniformity and clarity in the reporting of public inquiries by public institutions, in order to enable the Capital Market Authority to obtain reliable information and improve the level of service. The main points of the proposed amendment are: handling time for an inquiry, which will be counted in calendar days; amendment of the definition of the term "inquirer," which will also include a third party or their representative; and expansion of the definition of "inquiry," which will include various types of inquiries, such as inquiries transferred between departments, recurring inquiries, and inquiries through digital means.

Legislation/ Bills/ Regulations

- In July 2024, the Class Actions Bill (Amendment No. 16), 2024 was published, which proposes, inter alia, to prescribe considerations that would be addressed by the court for class actions concerning long-term insurance contracts. It is further proposed to allow the courts discretion to strike claims in limine, where it appears that the claims' subject matter has no public significance and the claims are vexatious and are not sincerely intended to substantially benefit the class members or the public. It is further proposed to limit the number of class actions that each named plaintiff may submit each year, and that a motion to certify a class action will be submitted to the court without specification of the overall amount claimed for all class members. In addition to the above proposed steps, it is proposed to eliminate the requirement of personal cause as a prerequisite for the filing of a motion to certify a class action, which makes it difficult for organizations seeking to file a class action in relation to the social causes in which they engages.
- In August 2024, Amendment No. 13 to the Protection of Privacy Law, 1981 ("**the Privacy Protection Law**") was passed, the principals of which are as follows: expansion of the supervision and enforcement powers of the Israel Privacy Protection Authority, including financial sanctions that in some cases may reach substantial amounts; prescribing the mandatory appointment of a privacy officer, inter alia, in organizations that primarily engage in the processing of sensitive personal information at substantial volumes and/or whose activity involves extensive monitoring or following of individuals. A privacy officer is responsible for ensuring compliance with the provisions of the Privacy Protection Law by the party that controls or holds the database, and to promote the adherence to privacy and information security in the databases; elimination of the requirement to register databases, with the exception of public institutions that manage a database the main purpose of which is the collection of personal information for the purpose of delivering it to another as an occupation or for a consideration, including direct mailing services ("**Data Broker**"), provided that the database contains personal information on more than 10,000 individuals. Notwithstanding the aforesaid, alongside the reduced registration requirement, the amendment to the Law introduces the requirement to notify the Israel Privacy Protection Authority of the management of databases that are not subject to registration but that contain particularly sensitive information (as defined in the amendment) concerning more than 100,000 individuals; expands the disclosure requirement for applications for personal information; prohibits the processing of personal information collected in an illegal manner and introduces additional criminal offenses in databases, including, inter alia, unauthorized processing of information by the party controlling the database and deliberate misdirection of an individual approached to obtain personal information; alignment of the definitions in the Privacy Protection Law to international standards of protection of personal information, including the EU's General Data Protection Regulation (GDPR); and expansion of the courts' authority to adjudicate pecuniary damages without proof of damage to an individual filing a claim for breach of the provisions of the Privacy Protection Law by virtue of additional causes that are prescribed in said Law in relation to databases. The amendment to the Law is expected to take effect within a year of its publication date. In the interim period from the approval of the amendment to its taking effect, the obligations prescribed in the existing format of the Privacy Protection Law shall continue to apply and must be adhered to.
- In September 2024, an amendment was approved to the Supervision of Financial Services Regulations (Provident Funds) (Rules of Investment Applicable to Public Institutions), 2012, on the backdrop of the publication of Draft Insurance Circular 2020-106, "Rules for the

Investment of the Assets of an Insurance Company Against Liabilities That Are Not Yield-Dependent" (7.6.2021) and a second draft of said circular (18.9.2022) ("**the Circular Drafts**") by the Commissioner in relation to rules for the investment of the assets of an insurance company against liabilities that are not yield-dependent, the provisions of which are expected to supersede part of the provisions of the aforesaid regulations as regarding an insurer's investments against liabilities that are not yield-dependent. The aforesaid amendment clarifies that regulations enacted prior to the amendment taking effect, in relation to matters for which the Commissioner has been conferred the authority to issue directives, will remain in effect unless cancelled or superseded by directives of the Commissioner.

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**

Listed below are the key factors for success in the activity of the Company, in its assessment:

a. 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.

b. The Company believes that the key factors for success in its activity include: improvement of the quality of services provided to the policyholders, frequent revision of actuary assumptions that underlies rates, 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.

c. Changes in the economic and macroeconomic situation in Israel and worldwide, including changes in the security situation, inflation rates, interest rates, unemployment rates, wage levels in the economy, pandemics, disasters, and more, could have implications for 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.

d. 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.

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

Those success factors have not materially changed in 2024.

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, including the consolidated circular, "Management of Investment Assets - Rules for Investment of the Assets of an Insurance Company". 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, including the consolidated circular, "Management of Investment Assets - Rules for Investment of the Assets of an Insurance Company", 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 2024 to reinsurers, see note 27 and 20 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 4,249 thousand. No fees are paid under this contract. The Company activated the reinsurance contracts in 2024 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 0.33%. 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 1.85%.

As of December 31, 2024, the insurance amount covered by proportional reinsurance in relation to earthquakes is NIS 480 thousand, while amounts covered in non-proportional reinsurance amount to NIS 121,109 million. As of the date of this report, the Company acquired reinsurance coverage of NIS 1,985 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:	2024	2023	2022
Proportional	5,256	4,151	3,686
Non-proportional - earthquake	32,896	27,789	15,077
Total	**38,152**	**31,940**	**18,763**

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 37,738 thousand, and fees amount to NIS 1,546 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 127,514 thousand. The Company received fees on those contracts at a fixed rate of 26% to 36% 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 2024, the Company entered into an XOL insurance contracts for catastrophes with AIOA companies. The Company renewed the aforesaid contract for 2025. In a war event that took place on October 7, 2023, the Company reached the ceilings prescribed in said contract and activated the contract.

- The premiums credited to AIOA companies in the reporting year totaled NIS 2,331 thousand. The reinsurance commissions totaled NIS 575 thousand.

- On December 2, 2024, AIG Global Corporation sold the overseas travel insurance operations in the Group to the Zurich Group. According to the agreement, the Company will continue to act as insurer for the overseas travel insurance operations in Israel and will transfer 100% of the premiums as reinsurance premiums (through a member company of AIG Global Corporation) to Zurich Group, which will bear the full cost of the claims with the addition of reimbursement of expenses and a commission. The agreement did not have a material effect on the results of the Company for 2024.

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 2024, the Company entered into an XOL insurance contract for catastrophes with American International 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. The Company renewed the aforesaid contract for 2025.

During a war event in 2023, the Company reached the ceilings prescribed in said contract and activated the contract.

The following is information about premiums transferred to those companies:

Reinsurer name	Total reinsurance premiums (NIS in thousands)	% of total reinsurance premiums
Swiss Re	31,077	91%
Partner Re	2,144	6%
AIRCO	730	2%
Gen Re	359	1%
Total	**34,310**	**100%**

h. <u>Overseas travel insurance</u>

On December 2, 2024, the Company entered into an insurance agreement with a company in the Zurich Holding Company of America, Inc concern (through a company in the AIG Global Corporation) in a format of 100% reinsurance, whereby the reinsurer will bear the full cost of the claims in the overseas travel insurance segment, with the addition of the reimbursement of expenses and a commission.

i. <u>Summary of reinsurance results in general and health insurance (in thousands of NIS)</u>:

	2024	2023	2022
Compulsory vehicle insurance			
Reinsurance premiums	4,249	3,548	3,129
Income / (loss)	(46,682)	(14,598)	15,941
Home insurance			
Reinsurance premiums	38,152	31,940	18,763
Income	32,416	27,174	15,137
Health insurance			
Reinsurance premiums	6,613	3,702	3,150
Income / (loss)	(6,449)	(4,919)	540
Commercial insurance (*)			
Reinsurance premiums	168,048	173,406	163,339
Income	48,320	24,108	78,449
Total			
Reinsurance premiums	217,062	212,596	188,381
Income / (loss)	27,605	31,765	110,067

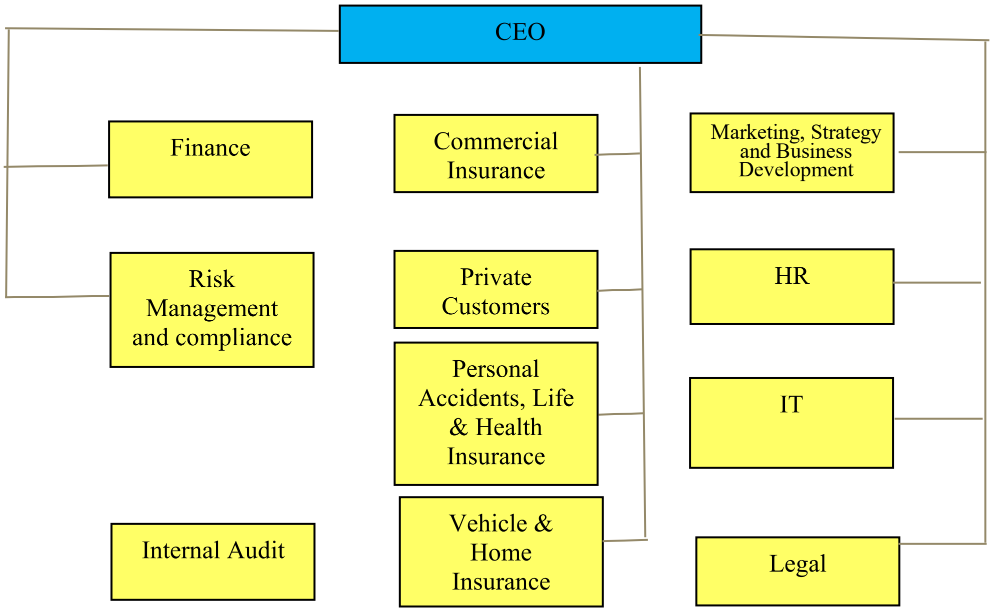
(*) Reinsurance premiums in commercial insurance are proportional contracts only and include earthquake premium of NIS 9,691 thousand in 2024 and NIS 9,837 thousand in 2023.

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

4.6 **<u>Human capital</u>**

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, 2024, the Company had 838 employees, compared with 840 employees at the end of 2023. Close to 72.1% of employees work in the Company's sales centers, compared with 71.9% in 2023. 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 number of employees in the Company based on full-employment equivalent as of December 31, 2024 and 2023, based on the organizational structure if as follows:

Activity area:	2024	2023
Sales and services centres	552	516
Claims	74	76
Headquarters - business divisions	41	42
IT	46	46
HR	13	12
Finance	23	24
Marketing and digital	15	16
Other	20	19
Total	**784**	**751**

b. Executives:

- Senior management, including the CEO, comprised 11 executives on the date of issuing this report, as compared to 12 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 directors[3], of which 2 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.

[3] The Company is waiting to receive the non-objection of the Commissioner of the Capital Market to an additional independent 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 15.4% 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 4.1% 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% of gross premium, in professional liability 18% and in property and engineering 10%.

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. In addition, the Company has an agreement in place with Comtech Ltd. ("Comtech"), which provides to the Company a software for the management of insurance operations[4]. The Company is materially dependent on Comtech, since the aforesaid software is used by the Company to manage its insurance operations. Should the need arise to transfer to different software vendors, such transfer would require time, resources and entail a material added cost to the Company.

- **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 2024 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 2023 and 2024, the Company invested NIS 58.2 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, 2024 was NIS 51.0 million.

[4] In 2024, the payments to Comtech constituted 3% of the Company's general and administrative expenses.

4.10 Seasonality

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

2024 **Quarter**	**1**	**2**	**3**	**4**	**Total**
Vehicle property insurance	260,643	205,345	233,137	187,711	886,836
Compulsory vehicle insurance	89,197	75,437	86,587	68,441	319,662
Home insurance	48,631	41,336	48,299	37,711	175,977
Commercial insurance	38,240	38,185	52,522	49,889	178,836
Health insurance	39,126	45,069	51,636	43,904	179,735
Life insurance	41,153	41,573	42,375	43,580	168,681
Total	**516,990**	**446,945**	**514,556**	**431,236**	**1,909,727**

2023 **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**

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

The Company maintains databases that are essential for the management of the Company's business, in accordance with the Protection of Privacy Law. Amendment No. 13 to the Protection of Privacy Law, which was approved in August 2024 and will take effect in August 2025, including the expansion of the supervision and enforcement powers of the Privacy Protection Authority, requires certain organizations, such as the Company, to appoint a privacy protection officer, cancels the requirement to register databases, with the exception of the requirement to report databases containing sensitive information, expands disclosure requirements, introduces new criminal offenses, and provides for the payment of pecuniary damages for breaches. For information on the aforesaid amendment, see section 4.1 above.

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 and AI 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 **Material agreements and cooperation agreement**

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

4.14 **Other forecasts and assessments on the business of the Company**

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[5] 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 fourteen-year experience in the AIG corporation, including eleven 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 2024, the internal auditor invested 3,260 hours in his work. In 2025, the scope of employment was set at 3,600 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.

[5] As at the date of the report, the Company is waiting to receive the Commissioner’s non-objection to the appointment of an additional independent 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 2023 and 2024, the compensation of the internal audit (fees and related expenses) was NIS 2.0 million in each of the years. 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 audit services: Taly Bisker Avisar, CPA. The audit of the financial statements as at December 31, 2024 and for the year ended on that date was handled by Tal Zaharani, CPA, a partner, who is filling in for Ms. Taly Bisker Avisar.

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 2024 and 2023:

2024	**Fee for audit and tax services**	**Special tax services**	**Other services**	**Total**
NIS thousand	**2,788**	**121**	**8**	**2,917**

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

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, 2024, 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 Chairman of the Board	Yfat Reiter CEO

March 25, 2025

Chapter B: Directors Report of Company's Business
for the Year Ended December 31, 2024

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

"Swords of Iron" War

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 evolved into a regional war where Israel faced seven different fronts ("War Event"). In November 2024, a ceasefire arrangement was signed between Israel and Lebanon, which significantly reduced the intensity of the war on this front.

The War Event did not have a significant effect on the results of the Company for the reporting year, with the exception of a reduction in the overseas travel premiums in the health insurance sector, as a result of the decrease in overseas travel by Israelis.

The War Event also increased the volatility in the capital market in the reporting year and was also one of the main factors that affected the exchange rate of the shekel in relation to the leading currencies, as described in section 2 below.

This is an evolving event involving significant uncertainty and financial implications on the economy as a whole. Therefore, to the date of the report, the Company is unable to assess the extent of the war's impact on its business activity and its future results. The Company continuously monitors the related developments and their effects on its activity and results.

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, 2024, insurance premiums arising from the general insurance business amounted to NIS 27,102 million; the share of the 5 largest insurance companies – Harel, Phoenix, Clal, Menorah and Direct Insurance – amounted to NIS 14,605 million, which constituted 58% 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.

Chapter B: Directors' Report

Developments in the Company's macro-economic environment

The Israeli economy faced significant economic challenges in 2024, mainly due to the impact of the War Event on the GDP and the reduction in export. Nevertheless, some positive developments have taken place.

The War Event 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. The War Event also drove up the prices of many products and services, mainly due to the rise of energy and food prices. In addition, the high government expenditure contributed to the rise in inflation. Furthermore, the War Event caused job losses, especially in sectors directly affected by the fighting, such as tourism and commerce, and the economic uncertainty led to delays in new hires.

After reducing the interest by 0.25% in January 2024, the Bank of Israel decided on several occasions during the year to maintain the interest rate at 4.5%.

The military achievements of Israel and the reduced intensity of the fighting in the second half of 2024, along with fiscal measures taken by the Israeli government, contributed to the improvement of the security and economic situation in Israel, which led to increased investments and stronger yields of the leading indices on the Tel Aviv Stock Exchange. Accordingly, after dropping at the beginning of 2024, the government revenue recovered, achieving similar levels to those recorded in 2022. These positive developments were reflected in notable economic growth, as in the third quarter of 2024 the GDP achieved annualized growth of 3.8%.

According to the most recent forecast of the Bank of Israel[1], GDP growth is expected to reach 0.6% in 2024 and accelerate to 4% in 2025. The inflation rate in 2024 reached 3.2% and is expected to subside in 2025 and 2026 to 2.6% and 2.3%, respectively. It should be noted that the Bank of Israel anticipates a more moderate inflation rate in 2025, but mentions that factors, such as consumer prices increases and rising global inflation will be counteracted by the moderating effect of the expected revaluation of the shekel. The unemployment rate in the working-age population (25-64) is expected to reach 3.5% in 2024 (a reduction compared to 4.4% in 2023), and is expected to continue dropping down to an average of 3.1% in 2025 and 2026. According to the Bank of Israel's forecasted moderation of the inflation, the interest rate is expected to reduce to an average rate of 4.0%/4.25% in the fourth quarter of 2025. The aforesaid forecast of the Bank of Israel is characterized by a high level of uncertainty, partly due to the uncertainty regarding the duration and scope of the War Event and its direct economic impact, and is influenced by the geopolitical developments that occurred in the last quarter of 2024, which, according to the Bank of Israel, have reduced the geopolitical uncertainty that was an underlying factor of previous forecasts published by the Bank of Israel during 2024. Accordingly, the Bank of Israel has updated, inter alia, the growth forecast and the forecast regarding other macroeconomic variables.

[1] The macroeconomic forecast of the Bank of Israel's Research Division from January 2025 (published on January 19, 2025).

The ongoing fighting and its economic effects resulted in the downgrading of Israel's sovereign credit rating, for the first time in its history, by the three international credit rating agencies that rate Israel: In February 2024, the international rating agency, 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. In April 2024, international rating agency, S&P, downgraded Israel's credit rating from AA+/A-1 to A+/A-1, maintaining the negative outlook. In its announcement, the rating agency noted among the reasons for this decision the continuation of the fighting on the southern and the northern fronts into 2024, the anticipated increase in Israel's government budget deficit, mainly as a result of the higher defense costs and the assumption that the recent conflict with Iran will not currently lead to the expansion of hostilities in the region; nevertheless, should the hostilities in the region spread, this could have an additional material adverse impact on the security situation in Israel, with an ensuing effect on the economic, fiscal and trade balance of the State of Israel. In its report from May 2024, S&P notes that it maintains its forecasted real growth in GDP of 0.5% in 2024 and 5% in 2025 (assuming stabilization of the geopolitical situation in Israel and the recovery of the export and investment activity). In addition, the rating agency anticipates that, despite the economic recovery in the first quarter in Israel, the climb will be more moderate in the remaining period through to the end 2024. In August 2024, international rating agency, Fitch, announced the downgrading of Israel's credit rating to "A" and changing the outlook to "negative". In its announcement, the rating agency noted among the reasons for its decision the continuation of the war in Gaza, the increase in geopolitical risks and military activity on several fronts, as well as the forecast for extensive budget deficits, concerns about the non-implementation of planned fiscal reforms, the expectation of a significant increase in debt-to-GDP ratio, and political instability. At the same time, it mentions some positive economic indicators, such as Israel's positive trade balance and its high foreign currency reserves.

Throughout 2024, the shekel fluctuated strongly in relation to the leading currencies, influenced by a variety of factors. The interest rate reductions in the United States and Europe, the rise in leading equity indices worldwide, geopolitical concerns, and Israel's risk image were among the main factors that shaped the shekel's trend. In addition, foreign investments in the Israeli technology companies and general macroeconomic forecasts affected the demand for the shekel. Consequently, in the first half of the year, which still presented geopolitical challenges, the shekel devalued. However, in the second half, as some of the geopolitical concerns lifted and foreign investments resumed, the trend reversed, and the shekel revalued in relation to the leading currencies.

Chapter B: Directors' Report

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 indices of marketable securities on The Tel Aviv Stock Exchange Ltd. ("TASE"):

	2024	2023	2022
Government-bond indexes:			
General government bonds	2.7%	0.6%	(9.3%)
Linked government bonds	2.3%	(0.5%)	(9.8%)
NIS government bonds	3.0%	1.4%	(8.8%)
Corporate-bond indexes:			
Tel Bond 60	5.9%	5.2%	(8.9%)
Tel Bond NIS	6.1%	5.2%	(7.0%)
Share indexes -			
Tel-Aviv 125	28.6%	4.8%	(11.8%)
S&P 500	23.3%	24.2%	(19.4%)

In the first seven months of 2024, trading on TASE was outperformed by the main U.S. indices and achieved similar yields to those of the main European indices. Following a positive shift in the geopolitical situation in Israel, starting from August 2024, most of the TASE securities indices increased significantly, substantially outperforming their main U.S. counterparts. Additionally, trading in 2024 in global capital markets and also in Tel Aviv was conducted against the backdrop of moderating inflation, which formed the basis for interest rate reductions by central banks in Israel and around the world.

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):

	2024	2023	2022
Gross premiums earned	1,805,498	1,543,455	1,312,434
Premiums earned by reinsurers	(241,855)	245,036	(211,375)
Premiums earned – retained amount	1,563,643	1,298,419	1,101,059
Gains (losses) on investments, net, and financing income	113,360	113,716	(77,993)
Income from commissions	58,688	56,028	54,767
Total income	1,735,691	1,468,163	1,077,833
Payments and changes in liabilities in respect of insurance contracts – gross	(1,271,637)	(1,118,143)	(932,241)
Share of reinsurers in increase in insurance liabilities and payments with respect to insurance contracts	151,778	143,524	44,487
Payments and changes in liabilities in respect of insurance contracts – retained amount	(1,119,859)	(974,619)	(887,754)
Total other expenses	(415,258)	(384,420)	(337,625)
Profit (loss) before taxes on income	**200,574**	**109,124**	**(147,546)**
Tax benefit (taxes on income)	(73,404)	(37,788)	49,288
Profit (loss) for the year and total comprehensive income (loss) for the year	**127,170**	**71,336**	**(98,258)**

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

	December 31	
	2024	2023
Other assets	513,583	490,190
Deferred acquisition costs	213,231	201,967
Financial investments and cash	2,794,730	2,381,308
Reinsurance assets	827,476	761,368
Total assets	**4,349,020**	**3,834,833**
Equity	993,374	866,204
Liabilities in respect of insurance contracts	2,842,235	2,500,045
Other liabilities	513,411	468,584
Total equity and liabilities	**4,349,020**	**3,834,833**

Equity and capital requirements

As at December 31, 2024, equity amounted to NIS 993.4 million, as compared to NIS 866.2 million as at December 31, 2023. The change in equity in 2024 is due to a comprehensive income of NIS 127.2 million for the year.

Chapter B: Directors' Report

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 for 2023. On November 19, 2024, in accordance with the directives of the Commissioner, the Company published the economic solvency ratio report for the June 30, 2024 data on its website.

Presented below are data concerning solvency ratio and MCR:

A. Solvency Ratio (in thousands of NIS)

	June 30, 2024	December 31, 2023
Equity for the purpose of solvency capital requirement (SCR)	1,031,086	954,963
Solvency capital requirement	815,091	750,829
Surplus	**215,995**	**204,134**
Economic solvency ratio (percentage)	126%	127%

No equity transactions or material events took place after the date of the report that affected the Company's economic solvency ratio. In the assessment of the Company, to the date of the report the War Event has no material effect on the Company's economic solvency ratio. The Company believes that in the coming year it would not be required to raise sources for compliance with the statutory solvency ratio and with the solvency ratio target set by the Board of Directors of the Company.

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

	June 30, 2024	December 31, 2023
MCR	302,445	276,465
Equity for the purpose of MCR	1,031,086	954,963

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

	June 30, 2024	December 31, 2023
Own funds for SCR purposes	1,031,086	954,963
SCR	857,991	790,346
Surplus	**173,095**	**164,617**
Economic Solvency Ratio (%)	120%	121%
Surplus (deficiency) in relation to the Board's target:		
Target solvency ratio of the Board (%)	130%	130%
Surplus in relation to the target	**(84,302)**	**(72,487)**

The calculation performed by the Company as of June 30, 2024 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, 2023 has been audited by the auditors of the Company in accordance with Standard ISAE 3400. For additional information see the Company's website: https://www.aig.co.il/about/repayment-ratio.

The information presented in this section above, including the reported capital and the SCR constitutes forward-looking information, as defined in the Securities Law, 1968, that is based, inter alia, on forecasts, assessments and estimates of future events, the realization of which is uncertain and outside the control of the Company. Actual results may differ from the estimated results, including materially from that predicted above, as a result of all or part of these forecasts, assessments, and estimates not being realized, or being realized other than predicted. This refers, inter alia, to actuarial assumptions (including rates of mortality, morbidity, recovery, cancellations, expenses and the underwriting profit margin), risk-free interest rates, capital market yields, future income and damages in catastrophic scenarios. For additional information on the estimates and the causes of deviations therein, see the Solvency Ratio Report as at June 30, 2024.

4. Results of operations

In 2024, the Company continued to increase the volume of gross premiums by 15.7% over their volume in 2023. The Company's total gross premiums amounted to NIS 1,910 million in 2023, as compared to NIS 1,650 million in 2023. Most of the increase in gross premiums in the reporting period stems from the vehicle property insurance and compulsory vehicle insurance sectors.

The Company's total premiums in retention amounted to NIS 1,658 million in 2023, as compared to NIS 1,404 million in 2023, an increase of 18.2%. 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
2024							
Gross premiums	886,836	319,662	175,977	179,735	178,836	168,681	1,909,727
Premiums – retained amount	886,836	315,413	137,825	173,122	10,788	134,371	1,658,355
Total gross as % of total	46.5	16.7	9.3	9.3	9.4	8.8	100.0
Total retained as % of total	53.5	19.0	8.4	10.3	0.7	8.1	100.0
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

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

	2024	2023	2022
Loss from vehicle property insurance	134,609	(4,158)	(151,282)
Profit (loss) from compulsory vehicle insurance	(9,239)	14,285	10,054
Profit from home insurance	4,744	4,196	2,274
Profit from commercial insurance	17,780	12,751	784
Profit (loss) from health insurance	(10,084)	8,542	24
Profit from life insurance	15,191	17,809	8,872
Other – income (loss) not allocated to insurance segments	47,573	55,699	(18,272)
Profit (loss) before tax	**200,574**	**109,124**	**(147,546)**
Tax benefit (taxes on income)	(73,404)	(37,788)	49,288
Profit (loss) for the year and total comprehensive income (loss) for the year	**127,170**	**71,336**	**(98,258)**

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 Company’s comprehensive income in 2024 totaled NIS 127.2 million, as compared to a comprehensive income of NIS 71.3 million in 2023. Pre-tax profit in 2024 amounted to NIS 200.6 million, as compared to a pre-tax profit of NIS 109.1 million in 2023. The main contributors to the profit in 2024 are investment gains of NIS 113.4 million and an underwriting profit of NIS 84.1 million, deriving mainly from the underwriting profit in the vehicle property insurance sector.

b. Net investment gains in 2024 totaled NIS 113.4 million, as compared to investment gains of NIS 113.7 million in 2023. The net investment gains in the reporting period derived mainly from price hikes on the financial markets, in Israel and globally, and in particular in the Israeli corporate bonds market. For additional information, see Section 2 above.

c. The Company’s profit from vehicle property insurance in 2024 was NIS 134.6 million, as compared to a loss of NIS 4.2 million in 2023. The underwriting profit of the Company from vehicle property insurance in 2024 was NIS 115.5 million, as compared to a loss of NIS 18.0 million in 2023. The transition to an underwriting profit in 2024 was due to a significant reduction in the claims’ ratio, mainly as a result of ongoing actions taken by the Company, consisting primarily of the raising of tariffs, in order to regain profitability in the sector. Following the improvement in the underwriting results in 2024, the Company released the entire provision for premium deficiency, in an amount of NIS 26.9 million.

d. The Company’s loss from compulsory vehicle insurance in 2024 amounted to NIS 9.2 million, as compared to a profit of NIS 14.3 million in 2023. The transition to loss in 2024 was due mainly to a significant increase in the claims’ ratio in the reporting period, this further to the negative development in claims in prior years. Pooling losses, excluding the effect of the interest curve, amounted to NIS 12.1 million (similar to the losses in 2023).

e. The profit of the Company from home insurance in 2024 amounted to NIS 4.7 million, as compared to a profit of NIS 4.2 million in 2023. The underwriting profit of the Company from home insurance totaled NIS 0.1 million in the reporting year, as compared to an underwriting loss of NIS 0.3 million in 2023.

f. The loss of the Company from health insurance in 2024 was NIS 10.1 million, as compared to a profit of NIS 8.5 million in 2023. The underwriting loss from health insurance amounted to NIS 14.1 million in 2024, as compared to a profit of NIS 4.9 million in 2023. The transition to loss in the reporting period was due mainly to an increase in claims in the overseas travel insurance and personal accidents insurance sectors, as well as to a reduction in premiums in the overseas travel insurance sector as a result of the War Event (see Section 2 above).

g. The profit of the Company from life insurance in 2024 was NIS 15.2 million, as compared to profit of NIS 17.8 million in 2023. The reduced profit was due mainly to the higher claims' ratio.

h. The profit of the Company from professional liability insurance in 2024 was NIS 14.6 million, as compared to a profit of NIS 8.9 million in 2023. The underwriting profit from professional liability insurance amounted to NIS 8.0 million in 2024, as compared to a profit of NIS 2.6 million in 2023. The increase in the underwriting profit in 2024 was due mainly to the reduced claims' ratio.

i. The Company's loss from other property insurance amounted to NIS 0.5 million in 2024, as compared to a profit of NIS 1.5 million in 2023. The transition to loss in 2024 was due to an increase in the underwriting loss due to the higher claims' ratio and expenses' ratio.

j. The profit of the Company from other liability insurance in 2024 was NIS 3.7 million, as compared to a profit of NIS 2.3 million in 2023.

<u>The following are the results of operations in the property insurance sectors</u>:

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

	2024	2023	2022
Vehicle property	115,467	(18,016)	(144,368)
Home insurance	67	(249)	4,333
Other property sectors	(960)	903	414

b. Principal data regarding the claims' ratio[1] (Loss Ratio "LR")[2] and the claims' and expenses' ratio (Combined Ratio "CR"):

	2024		2023		2022	
	LR%	**CR%**	**LR%**	**CR%**	**LR%**	**CR%**
Property vehicle insurance:						
Gross	68%	86%	83%	103%	111%	132%
In retention	68%	86%	83%	103%	111%	132%
Property[3]:						
Gross	44%	73%	45%	75%	52%	81%
In retention	60%	110%	59%	99%	59%	96%

5. Cash flow and liquidity

Net cash used in operating activities in 2024 amounted to NIS 9.3 million, as compared to NIS 138.4 million provided by operating activities in 2023.

Net cash used in investing activities in 2024 amounted to NIS 33.2 million, as compared to NIS 25.7 million in 2023.

Net cash used in financing activities in the Company in 2024 amounted to NIS 5.7 million, as compared to NIS 5.6 million in 2023.

As a result of the above, the balance of cash and cash equivalents in the reporting period decreased by NIS 48.7 million and amounted to NIS 94.9 million as at December 31, 2024.

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.

[2] 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.

[3] Home and other property sectors.

8. Material events subsequent to the financial statements date

The Company received a request from the AIG Global Corporation to pay, commencing on 1.1.2025 for insurance and operational services that the Company receives from the AIG Global Corporation, including: support of profit centers, strategic management services, risk management and strategy guidance, reinsurance management services, marketing and communications support services, administrative services, finance and accounting support services, HR support services, operation and systems (IT) support services, and claims support services. The consideration payable by the Company for the services will be determined based on the model for the allocation of costs between the companies in the AIG Global Corporation that receive those services.

The request is currently being discussed by the Company and is subject to the approval of the Audit Committee and the Board of Directors. If approved, the agreement will be submitted to the Commissioner of the Capital Market for approval.

9. Implementation of International Financial Reporting Standard No. 17: pro forma data for the six months ended June 30, 2024

- Profit from insurance services: NIS 79,350 thousand
- Gain (loss) on investments and financing, net: NIS 35,579 thousand
- Profit for the period (net of tax): NIS 58,729 thousand

The effect of the change in the interest curve on GMM-measured products increased financing expenses on insurance contracts by NIS 5.9 million.
The effect of the change in the interest curve on PAA-measured products decreased financing expenses on insurance contracts by NIS 24.2 million.

In the third and fourth quarters of 2024, the real interest curve decreased. The potential anticipated effects of these developments on the results of the Company in the second half of the year are financing income in respect of insurance services for GMM-measured products and financing expenses in respect of insurance services for PAA-measured products.

The manner of implementation of the Standard may be subject to changes or adjustments, including as a result of clarifications or updates to the International Financial Reporting Standards, regulatory changes or modifications and adjustments to various estimates made by the Company based on its professional judgment. Accordingly, the data presented above should not be construed as binding data or results. Hence, all of the information contained above constitutes forward-looking information, as defined in the Securities Law, 1968.

10. ESG aspects

In 2024, the Company continued to deepen its commitment to ESG and take significant steps to promote the issue. The strategic focal points of the Company include the following areas: innovation, 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.

During 2024, the Company continued to integrate the principles of ESG as a central part of its business strategy. Throughout the year, the Company implemented work plans defined at the beginning of the year, which focused on several key areas: increasing environmental awareness, promoting equality and inclusion, and implementing an ESG strategy of 'People Seeing People.'

In the strategic focus on reducing the carbon footprint, action plans were defined to improve energy efficiency at the offices, the Company replaced all disposable utensils with biodegradable ones, and installed recycling bins for batteries and packaging. In the strategic focus on responsible procurement, the Company reflected this in the supplier management system, and established principles for responsible procurement. In the strategic focus on diversity and inclusion, we set diversity goals and began to drive recruitment collaborations. In the strategic focus on digital transformation and innovation, the Company improved the personal area for its policyholders, enhanced the customer experience in digital services, and made online information accessible. In the strategic focus on fair marketing, the Company promoted a project aimed at making insurance language accessible, has led and continues to lead a social marketing agenda in advertisements, and advanced and developed the field of privacy protection within the Company. In the field of social action, the Company carried out support and volunteer activities in the community and continued to conduct and carry out volunteer activities for those impacted by the war and for the Hostages Families Forum.

In June 2024, the Company published its first ESG report for the years 2022-2023, which was drawn up in accordance with GRI and is posted on the Company's website. The report reflects the Company's ESG activities, provides transparent information on the Company, and contains data on the Company's sustainability achievements and environmental impact.

The information included in the report is intended not only to provide insights to the Company's stakeholders, but also as a means for the Company to continuously improve and set new goals.

In addition, this was the Company's second year of participation in the Maala rating, which examines companies' level of commitment to ESG values. The Company improved its rating score from Gold to Platinum, highlighting its strong performance in these areas. This rating is not only a recognition of the Company's investments and efforts but also a motivation for continued improvement and innovation in the field.

Overall, these actions emphasize the Company's commitment to continue leading in the field of ESG, creating value for its stakeholders, and acting responsibly to ensure a sustainable future.

Roberto Nard Chairman of the Board	Yfat Reiter CEO

March 25, 2025

Certification

I, Yifat Reiter, certify that:

1. I have reviewed the annual report of AIG Israel Insurance Company Ltd. (hereinafter: "the Insurance Company") for 2024 (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 25, 2025

Certification

I, Usher Gray, certify that:

1. I have reviewed the annual report of AIG Israel Insurance Company Ltd. (hereinafter: "the Insurance Company") for 2024 (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

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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.

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Usher Gray - CFO

March 25, 2025

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, 2024, 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, 2024, the Insurance Company’s internal control over financial reporting is effective.

Usher Gray	Yifat Reiter	Thomas Lillelund
CFO	CEO	Chairman of the Board of Directors

Date of approval of the report: March 25, 2025

This translation is for convenience purposes only.

AIG ISRAEL INSURANCE COMPANY LTD.

FINANCIAL STATEMENTS FOR 2024

AIG ISRAEL INSURANCE COMPANY LTD.

FINANCIAL STATEMENTS FOR 2024

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AIG ISRAEL INSURANCE COMPANY LTD.

STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31 2024	As at December 31 2023
		NIS in thousands	
Assets			
Intangible assets	5	**41,086**	29,623
Deferred acquisition costs	6	**213,231**	201,967
Property and equipment	7	**41,770**	18,623
Reinsurance assets	13	**827,476**	761,368
Premiums collectible	9	**355,750**	301,932
Current tax assets		**-**	72,696
Other accounts receivable	8	**74,977**	67,316
		1,554,290	1,453,525
Financial investments:	10		
Marketable debt instruments		**2,422,676**	1,989,353
Non-marketable debt instruments		**129,933**	116,969
Other		**147,221**	131,371
TOTAL FINANCIAL INVESTMENTS		**2,699,830**	2,237,693
Cash and cash equivalents	11	**94,900**	143,615
TOTAL ASSETS		**4,349,020**	3,834,833

Roberto Nard	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 25, 2025.

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 2024	As at December 31 2023
		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		**727,059**	599,889
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY		**993,374**	866,204
LIABILITIES:			
Liabilities with respect to insurance contracts that are not yield dependent	13	**2,842,235**	2,500,045
Liabilities with respect to deferred taxes, net	18	**25,476**	4,501
Liabilities with respect to employee benefits, net	29	**3,788**	2,830
Liabilities towards reinsurers	30	**322,729**	312,346
Liabilities for current taxes		**9,107**	-
Other accounts payable	19	**152,311**	148,907
TOTAL LIABILITIES		**3,355,646**	2,968,629
TOTAL EQUITY AND LIABILITIES		**4,349,020**	3,834,833

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 2024	2023	2022
		NIS in thousands		
Gross premiums earned	20	**1,805,498**	1,543,455	1,312,434
Premiums earned by reinsurers	20	**(241,855)**	(245,036)	(211,375)
Premiums earned in retention	20	**1,563,643**	1,298,419	1,101,059
Gains (losses) on investments, net, and financing income	21	**113,360**	113,716	(77,993)
Commission income	22	**58,688**	56,028	54,767
TOTAL INCOME		**1,735,691**	1,468,163	1,077,833
Payments and changes in liabilities with respect to insurance contracts, gross		**(1,271,637)**	(1,118,143)	(932,241)
Share of reinsurers in increase in insurance liabilities and payments with respect to insurance contracts		**151,778**	143,524	44,487
Payments and changes in liabilities with respect to insurance contracts, in retention	23	**(1,119,859)**	(974,619)	(887,754)
Commissions, marketing expenses and other acquisition costs	24	**(322,179)**	(292,652)	(263,759)
General and administrative expenses	25	**(96,182)**	(93,764)	(85,615)
Financing income, net	26	**3,103**	1,996	11,749
TOTAL EXPENSES		**(1,535,117)**	(1,359,039)	(1,225,379)
INCOME (LOSS) BEFORE TAXES ON INCOME		**200,574**	109,124	(147,546)
Tax benefit (taxes on income)	18	**(73,404)**	(37,788)	49,288
PROFIT (LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**127,170**	71,336	(98,258)
BASIC EARNINGS (LOSS) PER SHARE:				
Basic earnings (loss) per share		**22.19**	12.45	(17.15)
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, 2024	**6**	**250,601**	**15,708**	**599,889**	**866,204**
Total comprehensive income for the year				**127,170**	**127,170**
BALANCE AS AT DECEMBER 31, 2024	**6**	**250,601**	**15,708**	**727,059**	**993,374**
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

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

AIG ISRAEL INSURANCE COMPANY LTD.

STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2024	**2023**	**2022**
	NIS in thousands		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash provided by (used in) operations (Appendix A)	**(77,665)**	29,430	5,445
Interest paid	**(62)**	(176)	(287)
Interest received	**39,145**	44,091	43,890
Income taxes paid	**(36,071)**	(7,280)	(60,676)
Income taxes received	**65,315**	72,344	9,728
Net cash provided by (used in) operating activities	**(9,338)**	138,409	(1,900)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in property and equipment	**(4,747)**	(5,934)	(4,084)
Investment intangible assets	**(28,467)**	(19,805)	(15,016)
Net cash used in investing activities	**(33,214)**	(25,739)	(19,100)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of principal of lease liabilities	**(5,727)**	(5,614)	(5,503)
Net cash used in financing activities	**(5,727)**	(5,614)	(5,503)
EFFECT OF FLUCTUATIONS IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	**(436)**	838	642
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(48,715)**	107,894	(25,861)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**143,615**	35,721	61,582
CASH AND CASH EQUIVALENTS AT END OF YEAR	**94,900**	143,615	35,721

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

AIG ISRAEL INSURANCE COMPANY LTD.

STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2024	**2023**	**2022**
APPENDIX A - CASH FLOWS FROM OPERATIONS:			
Profit (loss) for the year	**127,170**	71,336	(98,258)
Adjustments with respect to:			
Items not involving cash flows:			
Change in liability with respect to insurance contracts that are not yield dependent	**342,190**	239,001	109,631
Change in reinsurance assets	**(66,108)**	(49,612)	55,853
Change in deferred acquisition costs	**(11,264)**	(17,270)	(12,170)
Taxes on income (tax benefit)	**73,404**	37,788	(49,288)
Change in liability with respect to employee benefits, net	**958**	(829)	(1,602)
Depreciation of property and equipment	**10,589**	10,891	9,454
Amortization of intangible assets	**17,004**	16,807	15,585
Losses (gains), net, on financial investments:			
Marketable debt instruments	**(55,484)**	(43,686)	116,838
Non-marketable debt instruments	**(15,336)**	(24,108)	(12,292)
Marketable exchange-traded funds	**(15,850)**	(26,057)	3,056
Effect of fluctuations in exchange rate on cash and cash equivalents	**436**	(838)	(642)
	280,539	142,087	234,423
Changes in asset and liability items:			
Liabilities towards reinsurers	**10,383**	32,853	(26,097)
Investments in financial assets, net	**(375,466)**	(127,287)	(29,652)
Premiums collectible	**(53,818)**	(62,847)	(43,336)
Other accounts receivable	**(7,661)**	11,464	5,468
Other accounts payable	**(19,729)**	5,739	6,500
	(446,291)	(140,078)	(87,117)
Adjustments with respect to interest and dividend:			
Interest paid	**62**	176	287
Interest received	**(39,145)**	(44,091)	(43,890)
	(39,083)	(43,915)	(43,603)
Net cash provided by (used in) operations	**(77,665)**	29,430	5,445

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. 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 - "Swords of Iron", which initially focused primarily on fighting the Hamas terrorist organization in Southern Israel and in the Gaza Strip, but evolved into a regional war where Israel faced seven different fronts ("War Event"). In November 2024, a ceasefire arrangement was signed between Israel and Lebanon, which significantly reduced the intensity of the war on this front.

The War Event did not have a significant effect on the results of the Company for 2024, with the exception of a reduction in the overseas travel premiums in the health insurance sector, as a result of the decrease in overseas travel by Israelis due to the War Event.

The War Event also increased the volatility in the capital market in the reporting year and was also one of the main factors that affected the exchange rate of the shekel in relation to the leading currencies.

This is an evolving event involving significant uncertainty and financial implications on the economy as a whole. Therefore, to the date of the report, the Company is unable to assess the extent of the war's impact on its business activity and its future results. The Company continuously monitors the related developments and their effects on its activity and results.

NOTE 1 - GENERAL (Continued):

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

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 effect on the Company's deferred taxes is immaterial.

3. On September 17, 2024, Mr. Thomas Lillelund stepped down from his office as a director and Chairman of the Board of Directors of the Company.

4. On June 24, 2024, AIG Global Corporation entered into an agreement for the sale of overseas travel insurance operations in the Group to the Zurich Group, which took effect on December 2, 2024. At this stage, the Company will continue to act as insurer for the overseas travel insurance operations in Israel and will transfer 100% of the premiums as reinsurance premiums (through a member company of AIG Global Corporation) to Zurich Group, which will bear the full cost of the claims with the addition of reimbursement of expenses and a commission, in accordance with the account-settling mechanism that will be determined.

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 conformity with International Financial Reporting Standards (hereinafter: "IFRSs") and the disclosure requirements prescribed by the Commissioner in accordance the Supervision Law.

According to the guidelines of the Commissioner, as published in documents concerning the "Roadmap for the Adoption of International Financial Reporting Standard No. 17 - Insurance Contracts" (hereinafter: "the Roadmap"), the date of initial implementation of IFRS 17 and IFRS 9 (hereinafter: "the New Standards") by the insurance companies in Israel (which pursuant to IFRSs would have been required to be implemented by 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. According to the Roadmap, early adoption of IFRS 17 will not be permitted in Israel.

Accordingly, commencing on January 1, 2023 until the initial implementation date of the New Standards by the insurance companies in Israel, as aforesaid, insurance companies in Israel 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 them up till now and which were superseded by the New Standards. The remaining IFRSs are implemented by the insurance companies in Israel on the dates stipulated therein.

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

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

A. Basis of presentation of financial statements (continued)

The financial statements of the Company have been approved for publication by the Board of Directors of the Company on March 25, 2025.

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.

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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

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
	%	%
For the year ended December 31, 2024	**0.6**	**3.2**
For the year ended December 31, 2023	3.1	2.9

As at December 31, 2024, the exchange rate of the U.S. dollar was $1 = NIS 3.647.

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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

E. Leases

Determining whether an arrangement contains a lease:

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.

Leased assets and lease liabilities

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.

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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

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.

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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

H. Financial assets (continued)

1) Classification (continued)

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".**

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.

<u>Determination of fair value</u>

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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

H. Financial assets (continued)

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

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.

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.

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.

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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

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.

L. 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.

M. 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):

M. Employee benefits (continued)

1) Liability for severance pay (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):

M. 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.

N. 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.

O. 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):

O. Revenue recognition (continued):

2) Premiums (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.

P. 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):

Q. 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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

Q. 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:

(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.
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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

Q. 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):

(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.

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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

Q. Insurance contracts (continued):

2) Life insurance (continued):

d) Deferred acquisition costs (continued):

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.

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.

NOTE 2 - MATERIAL ACCOUNTING POLICIES (Continued):

R. New standards and interpretations not yet adopted

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

As to International Financial Reporting Standard (IFRS) No. 17 - see Note 33.

2) International Financial Reporting Standard No. 18, "Presentation and Disclosure in Financial Statements" (hereinafter - "the Standard" or "IFRS 18") (continued)

The Standard also introduces specific guidelines for aggregating and disaggregating items in the financial statements and the notes. The Standard will encourage companies to refrain from classifying items as 'other' (e.g., other expenses) and impose additional disclosure requirements on such classification.

The first-implementation of the Standard will take place in annual periods commencing on January 1, 2027. Early adoption is permitted. The Company is considering the implications of the Standard on the financial statements and has not opted for early adoption.

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.

NOTE 3 - SIGNIFICANT ACCOUNTING ESTIMATES AND AREAS OF DISCRETION (Continued)

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.

- Compulsory motor vehicle sector

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

- Motor vehicle property sector

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

- Home insurance sector

  The home insurance sector focuses on providing coverage for damages caused to homes and includes coverage in respect of damages caused by earthquake.

NOTE 4 - OPERATING SEGMENTS (continued):

C. General insurance segment (continued)

- 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, 2024				
	Life Insurance	**Health insurance ***	**General insurance**	**Not allocated to operating segments**	**Total**
			NIS in thousands		
Gross premiums earned	**168,664**	**179,421**	**1,457,413**		**1,805,498**
Premiums earned by reinsurers	**(34,310)**	**(5,839)**	**(201,706)**		**(241,855)**
Premiums earned in retention	**134,354**	**173,582**	**1,255,707**		**1,563,643**
Gains on investments, net, and financing income	**789**	**4,020**	**61,944**	**46,607**	**113,360**
Commission income	**11,667,798**	**46,223**	**46,730**		**58,688**
Total income	**146,810**	**178,400**	**1,363,874**	**46,607**	**1,735,691**
Payments and change in liabilities with respect to insurance contracts, gross	**(87,956)**	**(140,718)**	**(1,042,963)**		**(1,271,637)**
Share of reinsurers in increase in insurance liabilities and payments with respect to insurance contracts	**18,858**	**11,491**	**121,429**		**151,778**
Payments and change in liabilities for insurance contracts, in retention	**(69,098)**	**(129,227)**	**(921,534)**		**(1,119,859)**
Commissions and other acquisition costs	**(44,742)**	**(43,030)**	**(234,407)**		**(322,179)**
General and administrative expenses	**(17,779)**	**(16,227)**	**(62,176)**		**(96,182)**
Financing income	**-**	**-**	**2,137**	**966**	**3,103**
Total comprehensive income (loss) before tax	**15,191**	**(10,084)**	**147,894**	**47,573**	**200,574**

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

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):

	December 31, 2024				
	Life insurance	Health insurance *	General insurance	Not allocated to operating segments	Total
	NIS in thousands				
Assets					
Intangible assets	-	-	-	41,086	41,086
Deferred acquisition costs	102,490	377	110,364	-	213,231
Financial investments:					
Marketable debt instruments	-	142,553	1,544,275	735,848	2,422,676
Non-marketable debt instruments	-	-	129,484	449	129,933
Other	-	-	-	147,221	147,221
Total financial investments	-	142,553	1,673,759	883,518	2,699,830
Cash and cash equivalents	8,983	5,011	53,906	27,000	94,900
Reinsurance assets	22,219	8,885	796,372	-	827,476
Premiums collectible	16	8,600	347,134	-	355,750
Other assets	4,416	-	70,561	41,770	116,747
Total assets	138,124	165,426	3,052,096	993,374	4,349,020
Liabilities					
Liabilities for insurance contracts that are not yield dependent	97,781	150,072	2,594,382	-	2,842,235
Other liabilities	17,007	1,614	494,790	-	513,411
Total liabilities	114,788	151,686	3,089,172	-	3,355,646

* The health sector 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 insurance contracts that are not yield dependent	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):

Additional data for the general insurance segment

	Year ended December 31, 2024						
	Compulsory vehicle insurance	**Vehicle property insurance**	**Home insurance**	**Professional liability**	**Other property sectors***	**Other liability sectors***	**Total**
	NIS in thousands						
Gross premiums	319,662	886,836	175,977	88,610	55,717	34,509	1,561,311
Reinsurance premiums	(4,249)	-	(38,152)	(80,802)	(56,919)	(30,327)	(210,449)
Premiums in retention	315,413	886,836	137,825	7,808	(1,202)	4,182	1,350,862
Change in balance of unearned premiums, in retention	(21,440)	(67,439)	(6,050)	(154)	(8)	(64)	(95,155)
Premiums earned, in retention	293,973	819,397	131,775	7,654	(1,210)	4,118	1,255,707
Gains on investments, net, and financing income	29,338	17,987	3,708	6,591	449	3,871	61,944
Commission income	-	-	1,422	26,036	10,549	8,216	46,223
Total income	323,311	837,384	136,905	40,281	9,788	16,205	1,363,874
Payments and change in liabilities with respect to insurance contracts, gross	(333,199)	(553,942)	(80,303)	(36,712)	(14,933)	(23,874)	(1,042,963)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	50,931	-	3,834	34,888	12,634	19,142	121,429
Payments and change in liabilities with respect to insurance contracts, in retention	(282,268)	(553,942)	(76,469)	(1,824)	(2,299)	(4,732)	(921,534)
Commissions, marketing expenses and other acquisition costs	(37,145)	(120,350)	(40,930)	(22,222)	(6,762)	(6,998)	(234,407)
General and administrative expenses	(13,137)	(29,638)	(15,731)	(1,679)	(1,238)	(753)	(62,176)
Financing income	-	1,155	969	10	-	3	2,137
Total expenses	(332,550)	(702,775)	(132,161)	(25,715)	(10,299)	(12,480)	(1,215,980)
Total comprehensive income (loss) before tax	(9,239)	134,609	4,744	14,566	(511)	3,725	147,894
Gross liabilities with respect to insurance contracts as at December 31, 2024	1,167,152	602,620	137,255	345,144	121,720	220,491	2,594,382
Liabilities with respect to insurance contracts in retention as at December 31, 2024	985,723	602,620	131,409	37,767	3,920	36,571	1,798,010

* 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 44% of total premiums in said sectors.

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 (continued)

	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 5 - INTANGIBLE ASSETS:

	Software
	NIS in thousands
Cost:	
Balance as at January 1, 2023	**69,914**
Additions during the year *	19,805
Retirements in during the year	(2,303)
Balance as at December 31, 2023	**87,416**
Additions during the year *	28,467
Retirements in during the year	(6,228)
Balance as at December 31, 2024	**109,655**
Accumulated amortization:	
Balance as at January 1, 2023	**43,289**
Additions during the year	16,807
Retirements during the year	(2,303)
Balance as at December 31, 2023	**57,793**
Additions during the year	17,004
Retirements during the year	(6,228)
Balance as at December 31, 2024	**68,569**
Depreciated balance:	
As at December 31, 2024	**41,086**
As at December 31, 2023	29,623

* Additions in respect of computer software include additions in respect of proprietary development: in 2024 – NIS 27,581 thousand and in 2023 – NIS 19,734 thousand.

In 2024, the Company retired fully amortized intangible assets that are no longer used by the Company in an amount of NIS 6,228 thousand (2023 – NIS 2,303 thousand).

NOTE 6 - DEFERRED ACQUISITION COSTS:

a. Composition

	December 31	
	2024	2023
	NIS in thousands	
Life insurance (see section b.)	**102,490**	101,486
Health insurance (see section b.)	**377**	321
General insurance	**110,364**	100,160
Total	**213,231**	201,967

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

	Life insurance	Health Insurance	Total
		NIS in thousands	
Balance as at January 1, 2023	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
Additions (acquisition costs)	30,157	377	30,534
Current depreciation	(8,785)	(321)	(9,106)
Depreciation relating to cancellations	(20,368)	-	(20,368)
Balance as at December 31, 2024	102,490	377	102,867

NOTE 7 - PROPERTY AND EQUIPMENT:

A. Composition of assets and accumulated depreciation thereon, grouped by major classifications, and changes therein in 2024, 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, 2024	21,018	5,911	39,153	66,082
Recognition of right-of-use assets	-	-	28,989	28,989
Additions during year	4,183	374	190	4,747
Retirements during year	(688)	(70)	(51)	(809)
Balance as at December 31, 2024	24,513	6,215	68,281	99,009
Accumulated depreciation:				
Balance as at January 1, 2024	10,970	3,466	33,023	47,459
Additions to right-of-use assets	-	-	5,452	5,452
Other additions during the year	4,271	433	433	5,137
Retirements during year	(688)	(70)	(51)	(809)
Balance as at December 31, 2024	14,553	3,829	38,857	57,239
Depreciated balance as at December 31, 2024	9,960	2,386	29,424	41,770
Carrying amount of right-of-use assets as at December 31, 2024	-	-	28,989	28,989
Carrying amount of all other items of property and equipment as at December 31, 2024	9,960	2,386	435	12,781

In 2024, the Company wrote off property and equipment in the amount of NIS 809 thousand (2023: NIS 3,287 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 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

NOTE 8 - OTHER ACCOUNTS RECEIVABLE:

	December 31	
	2024	**2023**
	NIS in thousands	
Prepaid expenses	**33,065**	28,722
Employees	**143**	196
Advance payment of subrogation to the National Insurance Institute	**-**	1,587
Insurance companies and insurance brokers	**37,532**	33,132
Related parties (see note 28a)	**2,656**	1,754
Other	**1,581**	1,925
Total other accounts receivable (*)	**74,977**	67,316

(*) As at December 31, 2024 and December 31, 2023, no allowance for doubtful accounts was required in respect of other accounts receivable.

NOTE 9 - PREMIUMS COLLECTIBLE:

a. Composition:

	December 31	
	2024	**2023**
	NIS in thousands	
Premiums collectible (*)	**363,837**	309,014
Less – allowance for doubtful accounts (see section c.)	**(8,087)**	(7,082)
Total premiums collectible	**355,750**	301,932
(*) Includes backdated checks, payments by standing order and payments though credit card companies	**338,399**	287,269

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	
	2024	**2023**
	NIS in thousands	
Unimpaired premiums collectible:		
Not overdue	**351,812**	300,165
Overdue (*):		
Less than 90 days	**732**	996
Between 90 and 180 days	**3,206**	771
Total unimpaired premiums collectible	**355,750**	301,932
Impaired premiums collectible	**8,087**	7,082
	363,837	309,014
Less – allowance for doubtful accounts	**(8,087)**	(7,082)
Total premiums collectible	**355,750**	301,932

As at December 31, 2024 and December 31, 2023, the Company had no unimpaired premiums collectible that more than 180 days overdue.

(*) Includes NIS 2 thousand for overdue life insurance receivables as at December 31, 2024 (December 31, 2023 - NIS 3 thousand).

c. Change in allowance for doubtful accounts:

	Year ended December 31	
	2024	**2023**
	NIS in thousands	
Balance as at January 1	**(7,082)**	(5,051)
Change in allowance for the year, net - carried to profit and loss	**(1,005)**	(2,031)
Balance as at December 31	**(8,087)**	(7,082)

NOTE 10 - FINANCIAL INVESTMENTS:

Composition of financial investments:

	December 31, 2024		
	At fair value through profit or loss	Loans and receivables	Total
	NIS in thousands		
Marketable debt instruments (a)	**2,422,676**	**-**	**2,422,676**
Non-marketable debt instruments (b)	**-**	**129,933**	**129,933**
Other (d)	**147,221**	**-**	**147,221**
Total	**2,569,897**	**129,933**	**2,699,830**

	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

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

	December 31	
	2024	2023
	NIS in thousands	
Government bonds	**1,360,560**	875,655
Other non-convertible marketable debt instruments	**1,062,116**	1,113,698
Total marketable debt instruments	**2,422,676**	1,989,353

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

	Carrying amount		Fair value	
	2024	2023	2024	2023
	NIS in thousands			
Presented at depreciated cost, excluding bank deposits	**129,484**	116,390	**129,484**	116,317
Bank deposits	**449**	579	**449**	585
Total non-convertible debt instruments	**129,933**	116,969	**129,933**	116,902

As at December 31, 2024 and December 31, 2023, 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*	
	2024	**2023**
	Percentage	
Marketable debt instruments:		
Linkage basis:		
Linked to CPI	**1.30%**	1.55%
NIS denominated	**1.76%**	1.92%
Non-marketable debt instruments:		
Linkage basis:		
Linked to CPI	**6.60%**	5.38%
NIS denominated	**-**	4.60%

* Weighted average.

D. Other financial investments:

	December 31	
	2024	**2023**
	NIS in thousands	
Marketable * - designated upon initial recognition at fair value through profit or loss	**147,221**	131,371

* Other financial investments consist of investments in ETNs.

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%
A rating	**-**	6.37%

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	
	2024	**2023**
	NIS in thousands	
Balances in banks	**67,113**	112,423
Deposits available for withdrawal on demand	**27,787**	31,192
Total cash and cash equivalents	**94,900**	143,615

The cash and cash equivalents in banks as at December 31, 2024 and 2023 bear daily interest at an annualized rate 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			
	2024	**2023**	**2024**	**2023**
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 19, 2024, the Company, in accordance with the Commissioner's directives, published the economic solvency ratio report for the June 30, 2024 on its website.

    According to the solvency ratio reports as at June 30, 2024 and December 31, 2023, the Company has surplus capital independent of the transitional provisions.

    The calculation performed by the Company, as above, as of June 30, 2024 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, 2023 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.

NOTE 13 - LIABILITIES WITH RESPECT TO INSURANCE CONTRACTS THAT ARE NOT YIELD DEPENDENT :

	December 31					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance (*)		Retained amount	
	NIS in thousands					
Insurance contracts in the life insurance segment	**97,781**	77,415	**22,219**	16,101	**75,562**	61,314
Insurance contracts in the health insurance segment	**150,072**	114,753	**8,885**	3,495	**141,187**	111,258
Insurance contracts in the general insurance segment	**2,594,382**	2,307,877	**796,372**	741,772	**1,798,010**	1,566,105
Total liabilities with respect to insurance contracts that are not yield dependent	**2,842,235**	2,500,045	**827,476**	761,368	**2,014,759**	1,738,677

* 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					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retained amount	
	NIS in thousands					
Compulsory vehicle insurance and liability sectors:						
Provision for unearned premiums	**194,302**	171,318	**54,222**	52,895	**140,080**	118,423
Pending claims and provision for premium deficiency	**1,538,485**	1,381,141	**618,504**	578,640	**919,981**	802,501
Total liabilities in compulsory vehicle insurance and liability sectors *	**1,732,787**	1,552,459	**672,726**	631,535	**1,060,061**	920,924
Other property sectors:						
Provision for unearned premiums	**507,389**	426,478	**36,695**	29,277	**470,694**	397,198
Provision for premium deficiency	**-**	26,883	**-**	-	**-**	26,883
Pending claims	**354,206**	302,060	**86,951**	80,960	**267,255**	221,100
Total liabilities in other property sectors	**861,595**	755,418	**123,646**	110,237	**737,949**	645,181
Total liabilities with respect to insurance contracts in the general insurance segment	**2,594,382**	2,307,877	**796,372**	741,772	**1,798,010**	1,566,105

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					
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
	Gross		**Reinsurance**		**Retained amount**	
Deferred acquisition costs:			**NIS in thousands**			
Compulsory vehicle insurance and liability sectors	**28,095**	26,761	**16,265**	16,531	**11,830**	10,230
Other property sectors	**82,269**	73,399	**7,816**	6,717	**74,453**	66,682
Total	**110,364**	100,160	**24,081**	23,248	**86,283**	76,912
Liabilities with respect to general insurance contracts, net of deferred acquisition costs:						
Compulsory vehicle insurance and liability sectors (see b(1) below)	**1,704,692**	1,525,698	**656,461**	615,004	**1,048,231**	910,694
Other property sectors (see b(2) below)	**779,326**	682,019	**115,830**	103,520	**663,496**	578,499
Total liabilities with respect to general insurance contracts, net of deferred acquisition costs	**2,484,018**	2,207,717	**772,291**	718,524	**1,711,727**	1,489,193
* Of said amount, liability for compulsory vehicle sector	**1,167,152**	983,018	**181,429**	139,482	**985,723**	843,536

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					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retained earnings	
	NIS in thousands					
Total actuarial valuations - Mr. Shay Elgrably	**1,892,691**	1,710,084	**705,455**	659,600	**1,187,236**	1,050,484
Provision for unearned premiums	**701,691**	597,793	**90,917**	82,172	**610,774**	515,621
Total insurance liabilities with respect to insurance contracts in the general insurance segment	**2,594,382**	2,307,877	**796,372**	741,772	**1,798,010**	1,566,105

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					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retained amounts	
	NIS in thousands					
Balance as at the beginning of the year (1)	**1,525,698**	1,400,269	**615,004**	570,220	**910,694**	830,049
Ultimate cost of claims for the current underwriting year (2)	**382,138**	327,832	**92,149**	89,512	**289,989**	238,320
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	**19,674**	11,503	**-**	-	**19,674**	11,503
Change in estimate of ultimate cost of claims with respect to previous underwriting years (4)	**13,585**	(3,211)	**14,404**	9,979	**(819)**	(13,190)
Total change in ultimate cost of claims	**415,397**	336,124	**106,553**	99,491	**308,844**	236,633
Payments in settlement of claims during the year (3):						
With respect to current underwriting year	**(2,752)**	(1,830)	**(190)**	(707)	**(2,562)**	(1,123)
With respect to previous underwriting years	**(233,651)**	(208,865)	**(64,906)**	(54,000)	**(168,745)**	(154,865)
Total payments for period	**(236,403)**	(210,695)	**(65,096)**	(54,707)	**(171,307)**	(155,988)
Balance as at the end of the year (1)	**1,704,692**	1,505,698	**645,461**	615,004	**1,048,231**	910,694

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					
	2024	2023	2024	2023	2024	2023
	Gross		Reinsurance		Retained amount	
	NIS in thousands					
Balance as at the beginning of the year (1)	**682,019**	591,647	**103,520**	99,510	**578,499**	492,137
Ultimate cost of claims with respect to events in the reporting year (2)	**725,486**	647,912	**29,528**	32,276	**695,958**	615,636
Change in ultimate cost of claims with respect to events in prior years	**(49,616)**	(42,842)	**(13,059)**	(12,630)	**(36,577)**	(30,212)
Payments made during the year in settlement of claims (3):						
With respect to events in the reporting year	**(478,883)**	(437,463)	**(3,740)**	(4,196)	**(475,143)**	(433,267)
With respect to events in prior years	**(144,841)**	(150,701)	**(6,738)**	(16,589)	**(138,103)**	(134,112)
Total payments	**(623,724)**	(588,164)	**(10,478)**	(20,785)	**(613,246)**	(567,379)
Change in provision for unearned premium, net of deferred acquisition costs	**72,044**	92,346	**6,319**	5,149	**65,725**	87,197
Change in premium deficiency	**(26,883)**	(18,880)	**-**	-	**(26,883)**	(18,880)
Balance as at the end of the year (1)	**779,326**	682,019	**115,830**	103,520	**663,496**	578,499

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, 2024, by underwriting year, in NIS thousands (CPI-adjusted) *:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Claims paid (accumulated) at end of year:										
After first year	1,576	3,187	2,064	1,593	30,238	2,125	1,241	1,831	2,752	
After two years	15,739	17,664	13,216	24,067	76,778	16,518	15,964	13,261		
After three years	41,533	48,679	43,055	64,331	113,033	54,796	60,322			
After four years	68,804	78,908	93,635	99,987	154,070	113,780				
After five years	93,399	104,197	133,592	134,637	186,970					
After six years	115,751	126,342	160,825	155,183						
After seven years	136,368	139,463	192,970							
After eight years	155,833	160,008								
After nine years	160,101									
After ten years										
Assessment of accumulated claims (including payments) at end of year:										
After first year (**)	230,838	288,530	316,050	314,596	407,535	404,998	339,743	354,525	381,771	
After two years	249,392	263,753	274,358	301,684	388,753	310,528	330,645	352,527		
After three years	241,190	247,702	287,554	314,432	335,349	315,997	347,931			
After four years	265,820	256,702	312,801	264,315	333,675	322,631				
After five years	259,608	242,282	260,734	258,439	339,990					
After six years	254,276	208,974	261,106	257,816						
After seven years	226,784	210,885	266,584							
After eight years	226,858	216,282								
After nine years	215,897									
After ten years										
Excess (deficit) relative to first year, which does not include accumulation (***)	**49,924**	**72,248**	**49,465**	**56,780**	**67,545**					**343,198**
Rate of deviation relative to first year, which does not include accumulation, in percentages	18.8%	28.1%	15.8%	21.5%	20.2%					29.7%
Cost of accumulated claims as at December 31, 2024	**215,897**	**216,282**	**266,584**	**257,816**	**339,990**	**322,631**	**347,931**	**352,527**	**381,771**	**2,883,070**
Accumulated payments through December 31, 2024	160,101	160,008	192,970	155,183	186,970	113,780	60,322	13,261	2,752	1,205,006
Balance of pending claims	55,796	56,274	73,615	102,632	153,019	208,851	287,609	339,266	379,019	1,678,064
Pending claims through underwriting year 2014										**26,628**
Total liabilities in respect of insurance contracts in compulsory vehicle and liability sectors, net of deferred acquisition costs as at December 31, 2024										**1,704,692**

(*) 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, 2024, by underwriting year, in NIS thousands (CPI-adjusted) *:

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Claims paid (accumulated) at end of year:											
After first year	1,299	1,244	2,496	1,429	1,293	2,450	1,312	976	1,126	2,562	
After two years	9,015	11,685	11,440	9,928	11,019	11,777	8,976	9,162	11,339		
After three years	29,400	31,814	32,608	34,633	38,033	36,799	41,815	44,245			
After four years	49,962	53,793	58,093	72,636	67,377	74,777	87,776				
After five years	64,588	74,337	79,421	98,772	94,843	102,035					
After six years	77,988	92,079	96,389	115,866	109,641						
After seven years	89,354	104,275	106,323	130,815							
After eight years	104,927	116,218	118,367								
After nine years	110,271	119,743									
After ten years	113,409										
Assessment of accumulated claims (including payments) at end of year:											
After first year (**)	128,713	144,820	182,742	195,906	202,915	220,243	268,594	230,782	248,575	290,125	
After two years	111,409	141,733	154,530	162,812	182,971	208,243	199,879	217,256	246,339		
After three years	132,235	138,938	148,663	177,205	191,585	185,265	210,192	223,733			
After four years	129,128	151,842	157,188	183,021	162,340	183,879	212,061				
After five years	131,780	150,184	153,313	163,365	160,111	182,023					
After six years	127,508	144,554	136,574	159,758	159,785						
After seven years	124,911	135,226	136,745	167,456							
After eight years	121,300	136,657	141,192								
After nine years	121,260	134,319									
After ten years	119,476										
Excess (deficit) relative to first year, which does not include accumulation (***)	**9,652**	**17,523**	**41,550**	**28,449**	**43,130**	**38,220**					**178,524**
Rate of deviation relative to first year, which does not include accumulation, in percentages	7.5%	11.5%	26.4%	15.5%	26.6%	20.8%					24.9%
Cost of accumulated claims as at December 31, 2024	**119,476**	**134,319**	**141,192**	**167,456**	**159,785**	**182,023**	**212,061**	**223,733**	**246,339**	**290,125**	**1,876,510**
Accumulated payments through December 31, 2024	113,409	119,743	118,367	130,815	109,641	102,035	87,776	44,245	11,339	2,562	839,931
Balance of pending claims	6,068	14,576	22,825	36,642	50,145	79,988	124,285	179,488	235,000	287,563	1,036,579
Pending claims through underwriting year 2014											**11,653**
Total liabilities in respect of insurance contracts in compulsory vehicle and liability sectors, net of deferred acquisition costs as at December 31, 2024											**1,048,231**

(*) 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, 2024, by underwriting year, in NIS thousands (CPI-adjusted) *:

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Claims paid (accumulated) at end of year:											
After first year	1,161	1,363	2,121	1,254	1,247	1,183	1,270	932	1,064	2,509	
After two years	8,724	13,460	10,181	9,259	9,863	8,974	8,060	8,223	10,964		
After three years	27,674	33,253	30,280	33,049	35,594	33,139	39,766	42,516			
After four years	47,165	53,491	54,930	70,409	64,662	70,861	86,291				
After five years	60,535	74,198	75,621	100,915	91,993	97,798					
After six years	74,512	95,414	94,984	124,635	106,730						
After seven years	86,214	111,974	105,877	137,253							
After eight years	103,334	130,328	120,068								
After nine years	108,166	132,863									
After ten years	112,646										
Assessment of accumulated claims (including payments) at end of year:											
After first year (**)	116,406	170,498	185,437	207,007	203,256	223,338	272,676	234,356	252,256	294,627	
After two years	130,607	154,863	167,103	178,408	195,446	223,699	210,282	227,515	263,075		
After three years	134,660	153,203	157,821	192,734	206,773	191,553	219,798	241,124			
After four years	129,389	171,515	172,873	197,298	172,546	192,202	227,090				
After five years	130,936	171,875	168,972	171,788	168,707	197,319					
After six years	124,773	166,848	145,644	165,210	169,395						
After seven years	123,541	154,639	145,295	172,156							
After eight years	118,188	154,106	151,320								
After nine years	117,512	151,095									
After ten years	118,416										
Excess (deficit) relative to first year, which does not include accumulation (***)	**10,973**	**20,420**	**34,116**	**34,851**	**33,861**	**(5,117)**	**(7,292)**	**(13,609)**	**(10,819)**		**97,385**
Rate of deviation relative to first year, which does not include accumulation, in percentages	8.5%	11.9%	19.7%	17.7%	19.6%	13.5%					21.2%
Cost of accumulated claims as at December 31, 2024	**118,416**	**151,095**	**151,320**	**172,156**	**169,395**	**197,319**	**227,090**	**241,124**	**263,075**	**294,627**	**1,985,616**
Accumulated payments through December 31, 2024	112,646	132,863	120,068	137,253	106,730	97,798	86,291	42,516	10,964	2,509	849,637
Balance of pending claims	5,770	18,232	31,253	34,902	62,665	99,521	140,799	198,608	252,110	292,118	1,135,979
Pending claims through underwriting year 2014											**15,223**
Total liabilities in respect of insurance contracts in compulsory vehicle sectors, net of deferred acquisition costs as at December 31, 2024											**1,151,201**

(*) 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, 2024 by underwriting year, in NIS thousands (CPI-adjusted):

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
Claims paid (accumulated) at end of year:											
After first year	1,161	1,363	2,121	1,254	1,247	1,183	1,270	932	1,064	2,509	
After two years	8,724	11,535	10,181	9,259	9,863	8,974	8,060	8,223	10,964		
After three years	27,674	30,433	30,280	32,950	35,594	32,490	39,766	42,465			
After four years	47,165	50,634	54,930	69,015	63,280	69,647	84,470				
After five years	60,287	70,519	75,621	93,728	89,590	95,937					
After six years	72,966	88,075	92,391	110,274	103,495						
After seven years	83,128	98,953	101,998	121,829							
After eight years	97,989	110,549	112,729								
After nine years	102,821	113,834									
After ten years	105,588										
Assessment of accumulated claims (including payments) at end of year:											
After first year (**)	104,909	155,910	172,095	185,145	189,671	208,604	255,060	219,930	237,728	275,206	
After two years	112,346	127,983	141,565	150,768	168,761	192,616	186,804	203,222	233,041		
After three years	116,910	125,752	136,938	163,644	177,013	172,190	197,095	211,293			
After four years	112,848	136,673	145,383	165,835	149,226	170,447	199,292				
After five years	117,010	137,010	142,644	150,116	147,602	168,446					
After six years	112,785	132,565	127,886	145,776	147,289						
After seven years	111,356	124,051	127,680	152,0222							
After eight years	109,007	127,028	132,095								
After nine years	109,293	125,715									
After ten years	109,177										
Excess (deficit) relative to first year, which does not include accumulation (***)	**3,670**	**10,958**	**40,000**	**33,123**	**42,382**	**40,158**					**170,292**
Rate of deviation relative to first year, which does not include accumulation, in percentages	3.3%	8.0%	27.5%	20.0%	28.4	23.6%					25.9%
Cost of accumulated claims as at December 31, 2024	**109,177**	**125,715**	**132,095**	**152,022**	**147,289**	**168,446**	**199,292**	**211,293**	**233,041**	**275,206**	**1,753,576**
Accumulated payments through December 31, 2024	105,588	113,834	112,729	121,829	103,495	95,937	84,470	42,465	10,964	2,509	793,821
Balance of pending claims	3,590	11,881	19,366	30,193	43,794	72,509	114,821	168,828	222,077	272,697	959,755
Pending claims through underwriting year 2014											**10,018**
Total liabilities in respect of insurance contracts in compulsory vehicle sectors, net of deferred acquisition costs as at December 31, 2024											**969,772**

(*) 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, 2024:

	Underwriting year						
	2024	2023	2022	2021	2020	2019	2018
	NIS in thousands						
Gross premium	324,692	266,610	234,740	212,918	192,789	179,734	173,959
Retained income/(loss) for underwriting year – accumulated	353	(4,606)	(20,270)	(46,106)	(20,929)	(4,014)	(2,362)
Effect of investment gains on accumulated retained income for the underwriting year	3,908	3,151	(2,529)	1,855	(303)	1,731	4,521

C6. Aggregate data for underwriting years in other liability insurance sectors:

For the year ended December 31, 2024:

	Underwriting year						
	2024	2023	2022	2021	2020	2019	2018
	NIS in thousands						
Gross premium	117,627	122,790	125,723	127,268	109,175	107,379	105,926
Retained income/(loss) for underwriting year – accumulated	(1,165)	(1,273)	(2,412)	8	(1,004)	673	(148)
Effect of investment gains on accumulated retained income for the underwriting year	813	911	(858)	793	(79)	654	1,589

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:				
2024	(17,315)	(38,605)	353	(9,592)
2023	(15,941)	15,628	(4,607)	18,892
2022	(31,879)	57,871	(20,270)	30,324

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:				
2024	(353)	40,167	(1,165)	19,456
2023	(1,092)	9,706	(1,267)	12,529
2022	(1,691)	69,684	(2,412)	3,315

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 as of December 31, 2024 (NIS in thousands):

	Policies not containing a savings element
	Risk sold as individual policy
	Individual
Insurance reserves	**2,064**
Pending claims	**95,717**
Total	**97,781**

* 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 as of 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.

The Company has no collective policies.

B. Details of results by type of policy

Data for the year ended December 31, 2024 (NIS in thousands):

	Policies not containing a savings element
	Risk sold as individual policy
	Individual*
Gross risk premiums	**168,681**
Income from life insurance business	**15,191**
New annualized premium	**36,339**
Payments and change in liabilities for insurance contracts, gross	**87,956**

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

* The Company has no collective policies.

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, 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

* The Company has no collective policies.

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, 2024 (NIS in thousands):

	Long-term	Short-term	Total
By insurance exposure - insurance reserves	**712**	**1,599**	**2,311**
Pending claims	**131,987**	**15,774**	**147,761**
Total	**132,699**	**17,373**	**150,072**

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.

There is no difference between the actuarial assessments in the healthcare sectors and the overall amount of the liability in the financial statements.

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.

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, 2024 (NIS in thousands):

	Long-term	Short-term	Total
Gross premiums	**129,842**	**49,893**	*** 179,735**
Income (loss) from healthcare insurance business	**(16,460)**	**6,376**	**(10,084)**
New annualized premium	**11,298**	**-**	**11,298**

* 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, 2023 (NIS in thousands):

	Long-term	Short-term	Total
Gross premiums	130,535	55,387	* 185,922
Income (loss) 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 (loss) 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.

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, 2023	80,842	101,754
Increase in premiums accounted for as liabilities	(419)	(388)
Changes in pending claims and IBNR	(3,008)	13,387
Balance as at December 31, 2023	77,415	114,753
Decrease in premiums accounted for as liabilities	**17**	**314**
Changes in pending claims and IBNR	**20,349**	**35,005**
Balance as at December 31, 2024	**97,781**	**150,072**

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%.

In April 2024, an order was published in the Official Gazette that provides for the raising of the wages and profit tax from 17% to 18%, with effect from January 1, 2025. The Company incorporated the change in the wages and profit tax rate in the calculation of the tax rate that is expected to apply on the reversal date, in order to appropriately recognize the balance of deferred taxes.

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.

NOTE 18 - TAXES ON INCOME (continued):

A. Tax laws applicable to the Company (continued)

2) Special tax arrangements for the insurance industry – agreement with the tax authorities (continued)

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.

B. Composition of income tax expense in the reported years

	Year ended December 31,		
	2024	**2023**	**2022**
	NIS in thousands		
Current taxes:			
For the current year	**(50,175)**	(6,073)	6,292
For previous years	**(3,457)**	(272)	(505)
	(53,632)	(6,345)	5,787
Deferred taxes:			
For the current year	**(19,408)**	(31,443)	43,501
Effect of the changes in the tax rates	**(364)**	-	-
Total income tax (expense) income	**(73,404)**	(37,788)	49,288

C. Tax assessments

Subject to the related provisions of the Income Tax Ordinance, the tax assessments of the Company through tax year 2021 are considered final.

NOTE 18 - TAXES ON INCOME (continued):

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:

	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, 2023	(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)
Changes carried to profit or loss	(455)	(762)	(18,686)	389	(551)	(2,434)	(20,975)
Balance of deferred tax asset (liability) as at December 31, 2024	(6,840)	5,948	(28,258)	2,810	-	864	(25,476)

The deferred taxes, which were calculated at a 34.75% tax rate, are presented in the balance sheet under deferred tax liabilities.

Analysis of the deferred tax assets and liabilities:

	December 31	
	2024	2023
	NIS in thousands	
Deferred tax assets	19,692	11,543
Deferred tax liabilities	(45,168)	(16,044)
Deferred tax assets (liabilities), net	**(25,476)**	**(4,501)**

NOTE 18 - TAXES ON INCOME (continued):

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		
	2024	**2023**	**2022**
	NIS in thousands		
Profit (loss) before taxes on income	**200,574**	109,124	(147,546)
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	**68,572**	37,309	(50,446)
Increase (decrease) in income tax arising from:			
Expenses not deductible for tax purposes	**921**	461	652
Updating of tax balances for changes in the tax rates	**364**	-	-
Taxes in respect of previous years	**3,457**	272	506
Other	**90**	(254)	-
Taxes on income (tax benefit)	**73,404**	37,788	(49,288)
Average effective tax rate	**36.60%**	34.63%	33.41%

NOTE 19 - OTHER ACCOUNTS PAYABLE:

	December 31	
	2024	**2023**
	NIS in thousands	
Employees and other payroll related Liabilities	**37,084**	34,966
Trade payables	**24,004**	50,337
Lease liabilities (see note 32)	**28,989**	5,727
Prepaid premiums	**38,428**	32,914
Commissions payable	**6,046**	9,761
Related parties (see note 28a)	**4,372**	3,954
Other	**13,388**	11,248
	152,311	148,907

NOTE 20 - PREMIUMS EARNED IN RETENTION:

	Year ended December 31, 2024		
	Gross	Reinsurance*	Retained amount
	NIS in thousands		
Life insurance premiums	**168,681**	**34,310**	**134,371**
Health insurance premiums	**179,735**	**6,613**	**173,122**
General insurance premiums	**1,561,311**	**210,449**	**1,350,862**
Total premiums, gross	**1,909,727**	**251,372**	**1,658,355**
Less - change in balance of unearned premium **	**(104,229)**	**(9,517)**	**(94,712)**
Total premiums earned	**1,805,498**	**241,855**	**1,563,643**

	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

* 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		
	2024	2023	2022
	NIS in thousands		
Gains on assets held against liabilities that are not yield dependent, 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	**68,972**	70,111	(125,159)
Interest income, linkage differences and exchange differences on financial assets at fair value through profit or loss	**39,188**	41,239	46,828
Interest income on deposits and from cash and nonmarketable securities	**5,200**	2,366	338
Total gains (losses) on investments, net, and financing income	**113,360**	113,716	(77,993)

NOTE 22 - REVNEUES FROM COMMISSIONS:

	Year ended December 31		
	2024	2023	2022
	NIS in thousands		
Reinsurance commissions, net of change in deferred acquisition costs relating to reinsurance	**58,688**	56,028	54,767

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		
	2024	2023	2022
	NIS in thousands		
Total payments and changes in liabilities with respect to life insurance contracts:			
Gross	**87,956**	73,770	88,211
Reinsurance (*)	**(18,858)**	(11,515)	(21,187)
Retained amount	**69,098**	62,255	67,024
Total payments and changes in liabilities with respect to general insurance contracts:			
Gross	**1,042,963**	919,388	738,360
Reinsurance (*)	**(121,429)**	(124,067)	(21,174)
Retained amount	**921,534**	795,321	717,186
Total payments and changes in liabilities with respect to health insurance contracts:			
Gross	**140,718**	124,985	105,670
Reinsurance (*)	**(11,491)**	(7,942)	(2,126)
Retained amount	**129,227**	117,043	103,544
Total payments and changes in liabilities with respect to insurance contracts, in retention	**1,119,859**	974,619	887,754

* 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		
	2024	**2023**	**2022**
	NIS in thousands		
Acquisition commissions	**80,271**	66,218	51,352
Marketing and other expenses (reclassified from general and administrative expenses)	**253,172**	243,704	224,577
Change in acquisition costs	**(11,264)**	(17,270)	(12,170)
Total commissions, marketing expenses and other acquisition costs	**322,179**	292,652	263,759

NOTE 25 - GENERAL AND ADMINISTRATIVE EXPENSES:

	Year ended December 31		
	2024	**2023**	**2022**
	NIS in thousands		
Payroll and related expenses	**253,137**	240,297	212,923
Depreciation and amortization	**27,594**	27,698	25,037
Office maintenance and communications	**13,293**	12,609	12,263
Marketing and advertising	**55,880**	57,013	59,884
Legal and professional consulting	**8,700**	7,604	6,870
Information technology expenses	**22,568**	19,757	19,560
Other	**13,756**	12,381	10,068
Total (**)	**394,928**	377,359	346,605
Less:			
Amounts classified to changes in liabilities and payments in respect of insurance contracts	**(45,574)**	(39,891)	(36,413)
Amounts classified to commissions, marketing expenses and other acquisition costs	**(253,172)**	(243,704)	(224,577)
Total general and administrative expenses	**96,182**	39,764	85,615
** General and administrative expenses include expenses relating to automation in the total amount of	**59,987**	57,413	53,088

NOTE 26 - FINANCING INCOME (EXPENSES):

	Year ended December 31		
	2024	**2023**	**2022**
	NIS in thousands		
Income from income tax interest, net	**535**	5,469	6,744
Interest expenses in respect of lease	**(62)**	(176)	(287)
Income (expenses) in respect of interest and exchange differences	**2,630**	(3,297)	5,292
Total financing income	**3,103**	1,996	11,749

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 the Codex Circular (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.

A VP in the Company serves as a risk manager and 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, 2024:

	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)	**(23,173)**	**24,348**	**9,689**	**(9,689)**	**484**	**(484)**	**6,856**	**(6,856)**
Comprehensive income (equity) (4)	**(23,173)**	**24,348**	**9,689**	**(9,689)**	**484**	**(484)**	**6,856**	**(6,856)**

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)

(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 (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 the interest rate on comprehensive income for the insurance liability in the sensitivity analysis is estimated at NIS 6,437 / (6,459) thousand (2023 - NIS 5,507 / (5,570) 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:

	Assets and liabilities that are not yield dependent as at December 31	
	2024	**2023**
	NIS in thousands	
Assets with direct interest risk:		
Marketable debt instruments	**2,422,676**	1,989,353
Non-marketable debt instruments:		
Non-marketable bonds	**-**	2,309
Other	**449**	579
Reinsurance asset	**702,078**	656,441
Cash and cash equivalents	**94,900**	143,615
Total assets with direct interest risk	**3,220,103**	2,792,297
Assets without direct interest risk	**1,128,917**	1,042,536
Total assets	**4,349,020**	3,834,833
Liabilities with direct interest risk:		
Liabilities in respect of insurance contracts that are not yield dependent	**1,584,662**	1,424,975
Liabilities for employee retirement obligations	**3,788**	2,830
Liabilities in respect of reinsurers	**257,388**	263,130
Total liabilities with direct interest risk	**1,845,838**	1,690,935
Liabilities without direct interest risk	**1,509,808**	1,277,694
Equity	**993,374**	866,204
Total equity and liabilities	**4,349,020**	3,834,833
Total assets, net of liabilities	**993,374**	866,204

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 insurance contracts that are not yield dependent, 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, 2024				
	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	-	-	-	41,086	41,086
Deferred acquisition costs	-	-	-	213,231	213,231
Property and equipment	-	-	-	41,770	41,770
Reinsurance assets	37,842	735,777	53,857	-	827,476
Current tax assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Premiums collectible	183,129	165,091	7,530	-	355,750
Other accounts receivable	39,119	127	2,666	33,065	74,977
Other financial investments:					
Marketable debt instruments	1,188,157	1,234,519	-	-	2,422,676
Non-marketable debt instruments	129,484	449	-	-	129,933
Other	-	-	147,221	-	147,221
Total other financial investments	1,317,641	1,234,968	147,221	-	2,699,830
Other cash and cash equivalents	85,380	-	9,520	-	94,900
Total assets	1,663,111	2,135,963	220,794	329,152	4,349,020
Total equity				993,374	993,374
Liabilities:					
Liabilities for insurance contracts that are not yield dependent	715,665	2,053,280	73,290	-	2,842,235
Deferred tax liabilities				4,501	4,501
Retirement benefit obligations	3,788	-	-	-	3,788
Liabilities to reinsurers	257,388	-	41,258	24,083	322,729
Liabilities for current taxes	-	9,107	-	-	9,107
Other accounts payable	150,244	-	2,067	-	152,311
Total liabilities	1,127,085	2,062,387	116,615	49,559	3,355,646
Total liabilities and equity	1,127,085	2,062,387	116,615	1,042,933	4,349,020
Total balance sheet exposure	536,026	73,576	104,179	(713,781)	

* Any exposure to exchange rates derives primarily from exposure to the dollar or linkage thereto.

NOTE 27 - RISK MANAGEMENT (Continued):

C. Market risks (continued)

3) Breakdown of assets and liabilities of the Company by linkage bases (continued):

	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 insurance contracts that are not yield dependent	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):

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, 2024	**140,694**	**89,471**	**5,776**	**-**	**11,912**	**-**	**247,853**
December 31, 2023	107,609	74,462	1,538	37	8,522	-	192,168

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, 2024	**1,215,396**	**566,962**	**351,962**	**423,575**	**36,487**	**2,594,382**
December 31, 2023	1,086,359	518,251	310,528	360,597	32,142	2,307,877

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:

<u>Underwriting risks</u>: 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, 2024 (NIS in thousands):

	Morbidity and mortality rate	
	+10%	**-10%**
Profit (loss)	(1,537)	1,077

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, 2024 (NIS in thousands):

	Cancellation rate (withdrawals, settlements and reductions)		Morbidity and mortality rate	
	+10%	**-10%**	**+10%**	**-10%**
Profit (loss)	221	(618)	(6,445)	4,404

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)

<u>Principles of computation of the actuarial assessment in general insurance (continued)</u>

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, with the addition of a non-liquidity premium, 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 effect of the change in discount in 2024 on the reserve in retention (including Pool), after implementing the provisions of Circular 2022-1-4, is NIS 14.9 million, in retention, as compared to NIS 9.6 million in retention in 2023.

  Commercial liability

  The effect of the change in the liability sector following the implementation of the provisions of Circular 2022-1-4 is NIS 0.2 million in retention, as compared to NIS 0.7 million in retention in 2023.

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%.

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%.

NOTE 27 - RISK MANAGEMENT (Continued):

E. Insurance risks (continued):

3. Insurance risk in general insurance contracts (continued)

h) Provision for premium deficiency

Further to the improvement in the underwriting results, the balance of the provision for premium deficiency in vehicle property insurance was zero at the end of 2024, as compared to a balance of NIS 27 million in 2023.

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.

The bonds portfolio is managed by external investment managers. 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.

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, as necessary, 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, 2024 and 2023, 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, 2024			
	AA- and above	BBB through A+	Not rated	Total
	NIS in thousands			
Debt instruments in Israel				
Marketable debt instruments:				
Government bonds	**1,360,560**	**-**	**-**	**1,360,560**
Corporate bonds	**905,801**	**156,315**	**-**	**1,062,116**
Total marketable debt instruments in Israel	**2,266,361**	**156,315**	**-**	**2,422,676**
Non-marketable debt instruments:				
Corporate bonds	**-**	**-**	**-**	**-**
Loans and receivables, excluding bank deposits	**129,484**	**-**	**-**	**129,484**
Deposits with banks and financial institutions	**449**	**-**	**-**	**449**
Total non-marketable debt instruments in Israel	**129,933**	**-**	**-**	**129,933**
Total domestic debt instruments	**2,396,294**	**156,315**	**-**	**2,552,609**

Debt instruments abroad

As at December 31, 2024, the Company has no debt instruments overseas.

	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.

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, 2024		
	A and above	Not rated	Total
	NIS in thousands		
Accounts receivable - excluding balances of reinsurers	**-**	**395,750**	**395,750**
Cash and cash equivalents	**94,900**	**-**	**94,900**
	94,900	**395,750**	**490,650**

	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

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, 2024	
	Balance sheet credit risk	
	Amount	% of total
	NIS in thousands	
Industry		
Construction and real estate	365,361	14.3
Banking	253,720	9.9
Energy	134,536	5.3
Commerce	80,179	3.1
Other business services	54,000	2.1
Communications	53,875	2.1
Insurance and financial services	32,640	1.3
Investments and holdings	28,106	1.1
High-tech	22,946	0.9
Defense	19,376	0.8
Production industry	16,260	0.6
Hospitality and tourism	1,566	0.1
	1,062,565	41.6
Loans to individuals	129,484	5.1
Government bonds	1,360,560	53.3
Total	**2,552,609**	**100.0**

	December 31, 2023	
	Balance sheet credit risk	
	Amount	% of total
	NIS in thousands	
Industry		
Construction and real estate	360,334	17.1
Banking	251,911	12.0
Energy	133,179	6.3
Communications	87,644	4.2
Commerce	73,128	3.5
Other business services	55,005	2.6
Production industry	42,693	2.0
Insurance and financial services	36,736	1.7
Investments and holdings	31,773	1.5
Defense	20,577	1.0
High-tech	19,363	0.9
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**

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.

1. In 2023 and 2024, 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, commencing in 2022, 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.

3. 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, 2024:

Rating group	Total premiums to reinsurers	Net debit (credit) balances	Reinsurance assets			Deposits by reinsurers	Total exposure
			Life insurance	Property insurance **	Liability insurance		
AA- or above							
GEN RE	382	(127)	507	-	-	(144)	236
SWISS RE	32,964	(3,153)	18,917	-	-	(13,186)	2,578
Other	13,991	(4,086)		2,777			(1,309)
	47,337	(7,366)	19,424	2,777	-	(13,330)	1,505
A							
Partner Reinsurance Co. Ltd.	2,144	(68)	2,795	-	-	(858)	1,869
AHAC *	17,900	(2,670)	-	59,000	19,246	(24,320)	51,256
NUFIC *	140,033	(20,824)	-	460,199	150,120	(189,697)	399,798
NHIC *	21,480	(3,204)	-	70,800	23,095	(29,184)	61,507
Other companies in the AIG global corporation*	11,741	351	-	18,956	-	-	19,307
Other	10,739	(5,564)	-	1,064	-	-	(4,500)
	204,037	(31,979)	2,795	610,019	192,461	(244,059)	529,237
Total	**251,374**	**(39,345)**	**22,219**	**612,796**	**192,461**	**(257,389)**	**530,742**

* 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 8,884 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, 2023:

Rating group	Total premiums to reinsurers	Net debit (credit) balances	Reinsurance assets			Deposits by reinsurers	Total exposure
			Life insurance	Property insurance **	Liability insurance		
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):

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 2024, 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, 2024				
	Government bonds	Corporate bonds	Index funds	Other investments	Total balance-sheet exposure
	NIS in thousands				
Israel	**1,360,560**	**1,059,174**	**-**	**224,833**	**2,644,567**
Other	**-**	**2,942**	**147,221**	**-**	**150,163**
Total	**1,360,560**	**1,062,116**	**147,221**	**224,833**	**2,794,730**

	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

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			
		2024		2023	
	Note	Global AIG corporation companies	Key management personnel	Global AIG corporation companies	Key management personnel
		NIS in thousands			
Reinsurance assets	13, 27f(3)(5)	**801,416**	-	743,957	-
Accounts receivable	8	**2,565**	-	1,754	-
Accounts payable	19	-	**4,372**	-	3,954
Liabilities to reinsurers	29, 27f5(3)	**271,460**	-	267,236	-

B. Transactions with interested and related parties

		December 31		
	Note	2024	2023	2022
		NIS in thousands		
Premiums – gross (*)	20	**103**	90	67
Reinsurance premiums (**)	20	**(191,154)**	(192,337)	(175,255)
Income from commissions (**)	22	**43,410**	44,157	43,944
Payments and change in liabilities in respect of insurance contracts (**)	23	**127,279**	128,461	21,534
	25, 28c	**(14,737)**	(14,810)	(14,817)
General and administrative expenses (**)	25	**(3,506)**	(853)	(722)
Financing expenses		**(64)**	(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					
	2024		2023		2022	
	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**	**12,361**	13	11,972	13	12,716
Post-employment benefits	**13**	**2,376**	13	2,838	13	2,101
		14,737		14,810		14,817

NOTE 28 – BALANCES AND TRANSACTIONS WITH INTERESTED AND RELATED PARTIES (Continued)

D. Compensation and benefits:

	Year ended December 31					
	2024		2023		2022	
	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**	**560**	3	523	3	501
	3	**560**	3	523	3	501

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 2,925 thousand (2023 – NIS 2,761 thousand; 2022 – NIS 3,493 thousand).

F. Approval of terms of employment of the Company CEO

The salary of the Company CEO – Yfat Reiter, was set at NIS 109,528 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.

G. Appointment of directors:

1) Ms. Hava Friedman Shapira was appointed as an outside director in the Company on February 4, 2025.

2) Mr. Roberto Nard was appointed Chairman of the Board of Directors on January 19, 2025.

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	
	2024	2023
	NIS in thousands	
<u>Presented under other accounts payable</u>:		
Short-term employee benefits (consist solely of bonuses)	**8,218**	7,415
<u>Presented under liabilities for employee benefits, net</u>:		
Liability for defined benefit plan for employees	**20,075**	18,233
Plan assets	**(16,287)**	(15,403)
	3,788	2,830

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 2024 and 2023, the expenses in respect of the defined contribution plans amounted to NIS 1,143 thousand and NIS 3,085 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	
	2024	2023	2024	2023	2024	2023
Balance as at January 1	18,233	18,520	15,403	14,861	2,830	3,659
Cost of interest	986	921	842	745	144	176
Current servicing cost	1,645	1,275	-	-	1,645	1,275
Actuarial gain (loss) as a result of changes in financial assumptions	92	(161)	-	-	92	(161)
Other actuarial loss	1,827	204	-	-	1,828	204
Actual return, less interest income	-	-	702	671	(702)	(671)
Benefits paid	(2,709)	(2,526)	(1,803)	(1,990)	(906)	(536)
Employer’s contributions to the plan	-	-	1,143	1,116	(1,143)	(1,116)
Balance as at December 31	20,075	18,233	16,287	15,403	3,788	2,830

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, 2024		December 31, 2023	
	1% increase	1% decrease	1% increase	1% decrease
Rate of future salary increases	569	(397)	418	(401)
Discount rate	(360)	506	(272)	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 2024 is approximately 4.3% (2023 – approximately 4.4%, 2022 – approximately 3.9%)
- The Group estimates the anticipated contributions into a funded defined benefit plan in 2024 at approximately NIS 1,116 thousand.
- As at the reporting date, the Group estimates the term of plan at 8.3 years (2023 – 8.2 years).

NOTE 30 - LIABILITIES TO REINSURERS:

	December 31	
	2024	**2023**
	NIS in thousands	
Deposits of reinsurers (1) ,(2)	**257,389**	263,131
Deferred acquisition costs in respect of reinsurance	**24,081**	23,249
Related parties (1) ,(2)	**28,259**	18,067
Other	**13,000**	7,899
	322,729	312,346

(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, pending the issue of a ruling in the matter of Direct Insurance by the National Court. On August 20, 2024, the National Court issued a ruling in the matter of Direct Insurance.

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

1) (continued)

On November 5, 2024, the petitioners filed a motion for the renewal of the proceedings. The respondent submitted a motion for a right to respond to the motion to renew the proceedings, as well as an updated motion for dismissal in limine, and for the striking of all the causes of the claim, with the exception of that relating to overtime differences. In its ruling from January 7, 2025, the court ruled for the striking of all of the causes in the certification motion, with the exception of that relating to the differences in the payment of overtime on incentives. In addition, the court approved the submission of a response to the motion to renew the proceedings and of an updated motion for dismissal in limine.

Pursuant to the ruling, on February 7, 2025, the Company filed an updated motion for the dismissal in limine of the certification motion, as well as a motion to postpone the scheduled evidentiary hearing or, alternatively, to hold an additional preliminary hearing on the scheduled date of the evidentiary hearing. The court determined in its resolution that the motions will be heard at the upcoming hearing.

The date of the hearing was postponed at the request of the representative of the petitioners, and according to the court's ruling the parties are required to notify the court of alternative dates for the hearing and to submit an agreed-upon notice regarding the procedural arrangements for the motion for dismissal in limine.

2) 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.

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).

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

2) (continued)

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).

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.

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

2) (continued)

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. On May 23, 2024, the petitioners submitted their response summations.

On June 2, 2024 and July 9, 2024 supplementary oral summations were heard. On June 21, 2024, the petitioners submitted a motion for the inclusion of evidence; on September 8, 2024, the respondents submitted joint responses to the motions to include evidence; on September 23, 2024, the Company submitted its response to new arguments that were raised by the petitioners in the recent summations hearing.

3) 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.

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).

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

3) (continued)

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.

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 . On May 23, 2024, the petitioners submitted their response summations.

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

3) (continued)

On June 2, 2024 and July 9, 2024 supplementary oral summations were heard. On June 21, 2024, the petitioners submitted a motion for the inclusion of evidence.

On September 8, 2024, the respondents submitted joint responses to the motions to include evidence; on September 23, 2024, the Company submitted its response to new arguments that were raised by the petitioners in the recent summations hearing.

4) 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.

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.

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

4) (continued)

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.

The petitioner submitted its summations on April 8, 2024; the respondent submitted its summations on August 19, 2024.

On November 7, 2024, the parties submitted a notice concerning the referral of the matter to mediation and requested the postponing of the final date for the submission of response summations by the petitioner. On November 13, 2024, the court approved the parties' request and ordered them to inform the court of the date of the first mediation session. On November 21, 2024, the petitioner submitted a notice concerning a delay in the mediation proceedings, and also submitted its response summations; on December 9, 2024, the respondent submitted a notice concerning the mediation proceedings and a motion to withdraw a document from the response summations; on December 10, 2024, the petitioner submitted its response to the respondent's notice; on February 9, 2025, the petitioner informed the court that the mediation process is still in progress, and an extension was granted for the submission of the notice. On March 9, 2025, the petitioner submitted a notice concerning the mediation and a motion to issue a ruling on the certification motion.

5) 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.

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.

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

5) (continued)

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 April 8, 2024, the Company filed a notice stating that the parties were unable to reach understandings and requesting the scheduling of an evidentiary hearing in the motion to certify the claim as a class action.

An evidentiary hearing in the case has been scheduled for November 14, 2024. Following the transfer of the certification motion to a different panel, on September 9, 2024 a preliminary hearing was held, further to which the petitioner announced that he will not be demanding the holding of an evidentiary hearing in the case. The Company has also consented not to hold an evidentiary hearing.

Accordingly, the court has set dates for the submission of summations by the parties. On December 29, 2024, the petitioner submitted response summations; the Company is required to submit its summations by March 27, 2025; the petitioner is required to submit its response summations by May 1, 2025.

6) 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. 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, 2024, 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. On April 16, 2024, a pretrial hearing in the case was held. An evidentiary hearing in the case was scheduled for March 24, 2025.

7) 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.

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

7) (continued)

On March 6, 2024, the Company submitted its response to the certification motion. On May 15, 2024, the parties submitted a notice, stating their interest in conducting negotiations for the petitioner's withdrawal of the certification motion. Accordingly, the preliminary hearing scheduled for June 10, 2024 was cancelled and the Court granted the parties 30 days to advance the negotiations.

On July 2, 2024, the petitioner informed the court that the parties were unable to reach an understanding and requested that a date be set for the submission of a response to the response to the certification motion and a preliminary hearing be scheduled. On October 5, 2024, the petitioner submitted a response to the response to the certification motion.

On January 1, 2025, a preliminary hearing in the case was held. On March 6, 2025, the parties submitted a notice, according to which they are holding discussions to conclude the proceeding by way of withdrawal and requested to submit an additional notice within thirty days.

8) 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 29, 2024, the court ordered the dismissal in limine of the claim against the Company, requiring the petitioner to pay expenses in an amount of NIS 2,500.

On January 16, 2025, a notice of appeal was submitted in relation to the ruling, whereby the appellants seek to overturn the ruling, and, inter alia, to order the reversal of the dismissal of the claim and obligate the respondents to bear the legal expenses and attorney's fees.

9) On June 5, 2024, a motion to certify a class action was filed against the Company, alleging overcharging in the use of the Just Drive application, as a result of an erroneous and excessive calculation of the travel distances due to the GPS disruptions taking place since the breaking out of the Swords of Iron war.

The overall amount of damages estimated by the petitioner for the class is NIS 30 million. The amount of personal damages sought of the Company is negligible.

The Company is required to submit a response to the certification motion by February 28, 2025; the petitioner is required to submit its response to the response to the certification motion by March 30, 2025.

A pretrial hearing of the case has been scheduled for June 10, 2025.

10) On September 9, 2024, a motion to certify a class action against the Company was filed, alleging that the Company unduly extends and renews “Protected Driver” insurance policies.

The overall amount of damages estimated by the petitioner for the class is NIS 1.8 million. The amount of personal damages sought of the Company is negligible.

On January 20, 2025, the Company submitted its response to the certification motion; on March 5, 2025, the petitioner submitted its response to the response of the Company.

A preliminary hearing in the case has been scheduled for April 2, 2025.

NOTE 31 - CONTINGENT LIABILITES (Continued):

A. Motions to certify class actions (continued):

11) On January 16, 2025, a notice of appeal was submitted in relation to the ruling issued in the motion 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.

In the notice of appeal, the appellants seek to overturn the ruling from November 29, 2024, and, inter alia, to order the reversal of the dismissal of the claim, while obligating the respondents to bear the legal expenses and attorney's fees.

	Number of claims	The amount claimed - NIS thousands
Pending motions to certify claims as class actions:		
Amount of claim specified	6	127,954
Amount of claim not specified	5	-
Total	11	127,954

B. Contingent liabilities - claims resolved during the reported period:

1) On January 8, 2017, a motion to certify a class action was filed against the Company and another insurance company (hereinafter: “the respondents”).

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

The total amount claimed for all class members in relation to the Company is estimated at NIS 12,250 thousand. The amount of personal damages sought of the Company is negligible.

On July 18, 2019, the court accepted the parties’ joint motion for a procedural arrangement. Evidentiary hearings were held in October through November 2020 and in March through 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.

NOTE 31 - CONTINGENT LIABILITES (Continued):

B. Contingent liabilities - claims resolved during the reported period (continued):

1) (continued)

The evidentiary hearing that was scheduled for March 20, 2022 was converted into a pre-trial hearing in which the issue of the suspension of proceedings 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.

A pre-trial hearing was held on June 16, 2024. The court ruled, following the rejection of the appeal in the Litvinov Matter, that the petitioners will file a motion to withdraw the certification motion. On July 1, 2024, the petitioners filed a motion to withdraw the certification motions.

On July 16, 2024, a ruling was issued, accepting the petitioners' withdrawal. The court adjudicated expenses of NIS 10 thousand in favor of the Company.

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

The motion 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 motion. On October 27, 2020, the Company submitted a statement of response to the certification motion. On December 16, 2020, the petitioners submitted their response to the respondents' response to the certification motion.

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

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

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

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

NOTE 31 - CONTINGENT LIABILITES (Continued):

B. Contingent liabilities - claims resolved during the reported period (continued):

2) (continued)

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 its summations on November 15, 2022; the respondent submitted its summations on March 29, 2023; the petitioner submitted its response summations on May 29, 2023.

On July 4, 2024, a ruling was issued, rejecting the motion to certify the claim as a class action. The court adjudicated expenses of NIS 12 thousand in favor of the Company.

3) 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.

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 thereon.

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 thousand. The court ordered the publication of the motion and set a period of 45 days for the filing of objections, if any. As the set period had elapsed with no objections submitted, the parties have filed a motion for the issue of a ruling. The parties submitted clarifications to the Attorney General, who issued his position in November 2024; on December 8, 2024 a hearing was held in the presence of a representative of the Attorney General, in which the court examined the position of the Attorney General as well as the explanations and data provided by the parties in relation to the review performed by an external expert. Accordingly, the parties submitted a motion to withdraw with compensation, which is based on the previously submitted compromise arrangement.

On December 24, 2024, a ruling was issued in approval of the motion to withdraw with compensation.

NOTE 32 - LEASES:

Information on material leases

The Company leases offices on #25 Hasivim St. in Petach Tikva. 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 and NIS 21,806 thousand, respectively.

The lease ended on December 31, 2024 and during the year the Company renewed the agreement for an additional 5 years, i.e., the contractual term ends on December 31, 2029.

Accordingly, in the statement of financial position the Group recognized a right-of-use asset in an amount of NIS 28,989 thousand commensurate with the recognition of a lease liability in the same amount.

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.

Analysis of maturity dates of lease liabilities of the Company

	December 31	
	2024	2023
	NIS in thousands	
Up to one year	5,798	5,727
1-5 years	23,191	-
Total	**28,989**	**5,727**

Supplementary information on leases

	December 31	
	2024	2023
	NIS in thousands	
Interest expense on lease liability	62	176
Expenses relating to variable lease payments that were not included in the measurement of the lease liability	5,452	5,452
Total	**5,514**	**5,628**

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17:

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9")

In May 2017, the International Accounting Standards Board (IASB) published International Financial Reporting Standard No. 17, "Insurance Contracts". In addition, in June 2020 and December 2021, the IASB published amendments to the Standard.

IFRS 17 establishes rules for the recognition, measurement, presentation and disclosure of insurance contracts, superseding the relevant existing provisions of IFRS 4 and the directives of the Capital Market, Insurance and Savings Authority (hereinafter: "the Authority"). The new standard is expected to cause material changes in the Company's financial reporting. The date of first-time implementation prescribed in IFRS 17 is January 1, 2023. However, as mentioned above, the requirements published by the Commissioner in the Current Roadmap postpones the date of first-time implementation of IFRS 17 in Israel to the quarterly and annual periods commencing on January 1, 2025, with January 1, 2024 set as the transition date. The final roadmap published by the Authority on January 26, 2025 (hereinafter: "the Final Roadmap") provides for certain exemptions on the Standard's implementation for companies that are not a reporting entity under the Securities Law, and whose total assets in their stand-alone financial statements as at December 31, 2024, do not exceed NIS 50 billion. The Company meets these criteria and is entitled to implement the aforesaid exemptions. In accordance those exemptions, the Company intends to commence implementing the Standard starting in the periodic report as at June 30, 2025.

In July 2014, the IASB published International Financial Reporting Standard 9, "Financial Instruments" (hereinafter - "IFRS 9"), which supersedes IAS 39 and sets new rules for the classification and measurement of financial instruments, with emphasis on financial assets. The date of first-time implementation prescribed in IFRS 9 is January 1, 2018. In September 2016, an amendment to IFRS 4 was published, which permitted entities that issue insurance contracts and meet certain prescribed criteria to postpone the adoption of IFRS 9 to January 1, 2023 (the date of first-time implementation of IFRS 17), to avoid the accounting mismatch that could ensue from the implementation of IFRS 9 prior to the implementation of IFRS 17. The Company met the aforesaid criteria and postponed the implementation of IFRS 9 accordingly. Upon the deferral of the first-time implementation date of IFRS 17 to January 1, 2025, the Commissioner also postponed the first-time implementation date of IFRS 9 to January 1, 2025, accordingly. In accordance with the exemptions provided in the Final Roadmap, the Company intends to also commence implementing IFRS 9 starting in the periodic report as at June 30, 2025.

IFRS 17 and IFRS 9 shall be hereinafter referred to as: "the New Standards".

According to the Final Roadmap, in the financial statements for 2024 the insurance companies are required to provide, within the framework of a separate dedicated note that addresses the implementation of the New Standards, disclosure of the items of the statement of financial position (pro forma balance sheet) as at January 1, 2024 (i.e., opening balance data as at the transition date for the implementation of the New Standards), including disclosure of the amount of the contractual service margin (CMS), gross and reinsurance, and the Risk Adjustment (RA) amount for each of the operating segments separately, and disclosure of the provision for credit losses in accordance with the disclosure format attached to the Final Roadmap. Furthermore, the insurance companies are required to include in the aforesaid note a supplemental qualitative disclosure that addresses, inter alia, the topics that are set forth in the Final Roadmap. The aforesaid quantitative and qualitative disclosure is provided in this note below.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: “the Standard” or “IFRS 17”) and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: “IFRS 9”) (continued)

In accordance with the Final Roadmap, companies are also required to report on certain items from the pro forma statement of comprehensive income for the six-month period ended June 30, 2024 (hereinafter: "Pro Forma Results Information"). Nevertheless, the companies are permitted to provide the Pro Forma Results Information within the Directors' Report instead of presenting it within the aforementioned note. The Company has elected this option.

In addition, the Final Roadmap specifies the preparations and the principal updated timetables that in the view of the Authority are necessary to ensure the proper preparation of Insurance companies in Israel for the implementation of the Standard, inter alia, as regarding the adaptation of the IT systems and their operation, implementation and due diligence of controls, project management and documentation, completion of the formulation of accounting policies and preparation for the various required reports, performance of quantitative tests, preparation for the calculation of the risk adjustment for non-financial risk ("RA"), and preparation for the audit of the independent auditors.

To facilitate the preparation of insurance companies in Israel for the adoption of IFRS 17, on December 22, 2024, the Commissioner published a circular concerning, “Professional Issues Relating to the Implementation of International Financial Reporting Standard No. 17 in Israel” (hereinafter - “the Circular”). The Circular addresses key issues that are part of the Standard's core, including the allocation of insurance contracts to portfolios; separation of components in certain insurance contracts; aggregation of insurance contracts; contract boundaries in health and life insurance policies; discount interest rates for the purposes of the Standard, including clarifications regarding the calculation of a weighted illiquidity premium; measurement at the transition date, including how to apply the fair value approach at the transition date, and more. The material accounting policies described in this note below are based, inter alia, on said Circular.

The Company’s preparation for the implementation of the New Standards

As part of the adoption of the New Standards, the Company is in the process of deploying and integrating IT systems that are necessary for the implementation of the New Standards. To the date of the report, the Company is reviewing and mapping the necessary controls and the flow of information into the financial statements. In January 2024, the Company submitted to the Authority a list of the key controls designed by the end of 2023. In addition, in accordance with the Roadmap, in August 2023 the Company reported to the Authority on the results of the first Quantitative Impact Study (hereafter - “QIS”) examining the effect of first-time implementation of IFRS 17. The Company’s first QIS included quantitative testing of the methodology used to calculate the opening balances, based on the balances as at January 1, 2023, of certain insurance contracts provided for in the third update of the Roadmap. The Company submitted to the Authority an updated version of the RA calculation methodology in Q4 2023. In addition, in March 2024, the Company submitted to the Authority an updated draft of the complete accounting policy for the implementation of IFRS 17 and IFRS 9, in accordance with the guidelines of the Roadmap. The Company has duly reported to the Authority the results of the second QIS examining the effects of first-time implementation of IFRS 17 and IFRS 9 and the results for the first quarter of 2024, and has also duly reported the results of the third QIS concerning the results for the first half of 2024.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

As aforementioned, the Company is in advanced stages of preparation for the implementation of the Standard, as regarding the setting of accounting policies, the deployment of IT systems and internal controls. The Company continues to examine and refine the required controls and the information flow to the financial statements based on parallel runs and is preparing for the implementation of the New Standards in accordance with the timetables set out in the Final Roadmap, subject to the exemptions it has elected, as described above.

Principal changes in the accounting policy

Presented below are the material accounting policies selected by the Company with respect to a number of issues that are at the core of the New Standards. It should be emphasized that all of the stated below with regard to the material accounting policies is accurate as at the date of this report's publication and may still change until the Company's first financial reporting date under the New Standards:

1. Scope of IFRS 17

IFRS 17 applies to standards that meet the definition of an insurance contract. These include insurance contracts issued by the Company and reinsurance contracts held by the Company.

An insurance contract may include one or more components that would fall under the scope of another standard if they were separate contracts. For example, insurance contracts may include: an investment component, a component for services other than insurance contract services (hereinafter: "service component"), embedded derivatives.

The Standard determines that an investment component and a service component will be separated from the insurance contract only if they are distinct. An embedded derivative will be separated only if it meets the criteria prescribed in IFRS 9. If separated from the insurance contract, these components will be accounted for under the applicable standard.

In the assessment of the Company, the implementation of IFRS 17 is not expected to materially affect the classification of contracts as insurance contracts compared to IFRS 4. In addition, the Company does not expect to separate from the insurance contracts elements that would be accounted for under another standard.

2. Measurement model

The standard contains three models for the measurement of the liability in respect of insurance contracts. In its policy, the Company addresses the 2 models that apply to its activity:

1. General Model - GMM Model

   According to this model, which is the default model of the standard, the liabilities in respect of groups of insurance contracts are to be measured on the date of initial recognition at the present value of the expected cash flows from the insurance contracts, discounted using a current interest rate (BE), with an explicit risk adjustment for the non-financial risks (RA). The expected profit embodied in the insurance contracts that is derived from the above calculations is to be recognized as a liability - contractual service margin (CSM), in profit or loss over the coverage period of the insurance contract group.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

2. Measurement model (continued)

1. General Model - GMM Model (continued)

   If an expected loss arises, it will be recognized immediately in profit or loss. The aforesaid liability components are classified into two types of liabilities: liability for remaining coverage (LRC) and liability for incurred claims (LIC). In subsequent periods, the contractual service margin is adjusted for changes in non-financial assumptions relating to the future service. If the contractual service margin is offset as a result of these changes, any further change will be recognized immediately in profit or loss. At the same time, changes resulting from the time value of money and financial changes will be recognized immediately in profit or loss within financing expenses in respect of insurance contracts.

   In held reinsurance contracts, the contractual service margin can be an asset or a liability and reflects the net expected cost or the net expected gain, respectively. If the reinsurance contract exists when a loss component is recognized for a group of insurance contracts that is covered by the reinsurer, the Company will recognize an immediate gain in respect of the reinsurance contract (reversal of loss component), against the adjustment of the contractual service margin.

   The main products that will be measured under the GMM Model, both in insurance contracts issued by the Company and in reinsurance contracts held by the Company, are life insurance and health insurance, with the exception of overseas travel insurance, which is measured under the PAA model.

2. Premium Allocation Approach - PAA Model

   Under this model, the liability for the remaining coverage is determined as the total amount of premiums received less cash flows used to purchase insurance and less the premium amounts and cash flows used to purchase insurance, as recognized in profit or loss in respect of the previous coverage period. Premiums received and cash flows used to purchase insurance are recognized in profit or loss over time as the insurance coverage is provided. Where insurance contracts in a group contain a significant financing component, the Company adjusts the time value of the money and the effect of the financial risk in accordance with the interest curve at the date of initial recognition, which is calculated as set forth in this note.

   For groups of insurance contracts under the PAA Model, the Standard permits the recognition of any insurance acquisition cash flows as expenses when the Company incurs such costs, provided that the coverage period of each contract in the group does not exceed one year. The Company anticipates that it will not apply this option.

   Where facts and circumstances indicate that a group of insurance contracts is onerous, the Company measures the present value of the future cash flows, with the addition of the risk adjustment for non-financial risks, similarly to the principles of the General Model. If this amount exceeds the carrying amount of the liability for the remaining coverage, the Company will increase the liability for the remaining coverage against the recognition of an immediate loss in profit or loss.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

2. Measurement model (continued)

2. Premium Allocation Approach - PAA Model (continued)

If a reinsurance contract exists when a loss component is recognized for a group of insurance contracts that it covers, the Company will recognize an immediate gain in respect of the reinsurance contracts (reversal of loss component), against the adjustment of the carrying amount of the asset to the remaining coverage.

The liability for claims incurred is calculated using the same principles as those of the GMM Model. The Standard permits not to discount the cash flows in respect of claims incurred if the cash flows are expected to be paid or received within one year or less of the date on which the claims were incurred. The Company does not apply this exemption.

The Company may implement the Premium Allocation Approach if, and only if, at the inception of the group:

- The coverage period of each contract in the group is one year or less; or
- The Company reasonably expects that such simplification would generate a measurement of the liability for the remaining coverage period of the group that does not materially differ from the measurement that would have resulted from implementation of the General Model. The Company may implement the Premium Allocation Approach for groups of held reinsurance contracts, with adjustments that reflects the characteristics that distinguish held reinsurance contracts from issued insurance contracts.

The Company intends to implement this measurement model in the following insurance portfolios (divided by segments) for both issued insurance contracts and held reinsurance contracts:

General insurance

In most general insurance portfolios, the coverage period of all contracts is up to one year. These groups of insurance contracts are automatically eligible for PAA measurement. For the remaining groups of contracts, the Company will apply the test of eligibility for PAA measurement. The Company expects that all of its general insurance contracts will meet the PAA eligibility criteria. The measurement of the insurance contracts using the PAA Model is similar to the measurement of general insurance contracts under the Company's existing policy pursuant to IFRS 4, with certain adjustments.

Health insurance

Short-term overseas travel insurance contracts.

3. Level of Aggregation

In accordance with the Standard, insurance contracts are aggregated into groups for measurement purposes. The Company will establish the groups upon initial recognition and will not change the composition of the groups thereafter.

Groups of insurance contracts are established by identification of portfolios of insurance contracts, each of which is comprised of contracts that are subject to similar risks and are managed jointly.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

3. Level of aggregation (continued)

The following are the insurance portfolios identified by the Company. These portfolios were determined in accordance with the provisions of the standard and consistently with the Commissioner's position, as published in the Circular:

- Life insurance portfolios: death coverage.
- Health insurance portfolios: overseas travel insurance; personal accidents insurance; severe illness insurance.
- General insurance portfolios: home insurance; compulsory vehicle insurance (including policies sold through the "Pool" corporation); vehicle property insurance; professional liability insurance; business insurance (including: property loss and business comprehensive insurance, including liability and other riders, and including employers' liability, product liability and third-party liability sold as a separate policy), engineering insurance (including liability riders).

Once it has identified a portfolio, the Company will divide it, at minimum, into the following groups, based on the expected profitability upon initial recognition:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of subsequently becoming onerous - at this stage the Company has not identified contracts belonging in this group; and
- a group of the remaining contracts in the portfolio.

In accordance with the Standard, for insurance contracts for which the Company applies the PAA Model, the Company will assume that there are no contracts in the portfolio that are onerous at initial recognition, unless there are facts and circumstances indicating otherwise. IFRS 17 determines that contracts issued more than one year apart will not be included in the same group, such that each underwriting year will be associated with a separate group of insurance contracts.

The smallest measurement unit for the purposes of IFRS 17 is the insurance contract, on all of the insurance coverages contained therein. Therefore, as a rule, the Company will assign the insurance contract in its entirety to a single group of insurance contracts. This approach materially differs from the Company's policy pursuant to IFRS 4, which generally provides for the separate recognition and measurement of each coverage.

IFRS 17 permits the inclusion of contracts under the same group if they belong to different groups only since the practical ability of the Company to set a different price or a different level of benefits for a policyholder with different characteristics is limited by law or regulation. The Company's proportionate share in compulsory vehicle insurance policies issued by the Pool corporation meets this requirement. Accordingly, the Company has elected to include its proportionate share of these policies in the same group as the ordinary compulsory insurance policies sold by the Company.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

3. Level of aggregation (continued)

In some sectors within general insurance (such as vehicle property), the level of aggregation may be lower than that currently applied pursuant to IFRS 4, which could increase the scope of contracts recognized as onerous. In other insurance sectors (e.g. business and home) containing property and liability coverages that are currently sold and measured separately, these will be accounted for as a single insurance contract under IFRS 17. This change is expected to reduce the loss in respect of onerous contracts in those sectors.

4. Separation of components from insurance contracts and reinsurance contracts, disaggregation of contract components and aggregation of insurance contracts

The Company has not identified embedded derivatives, products and services that need to be handled separately from the related insurance contract or reinsurance contract.

In most cases, the Company will deem the legal contract on all of its various components as a single insurance contract for accounting purposes. Accordingly, the Company will not separate components from typical insurance policies, such as service appendices accompanying health and property insurance policies. A health insurance policy that is sold as a package to several family members under a single legal contract, will be accounted for as a single insurance contract.

Nevertheless, the Company intends to account for the following policies and coverages separately, even is these are sold together to the policyholder: a policy that includes compulsory vehicle insurance alongside comprehensive vehicle insurance.

Business policies in general insurance, which typically include property coverage alongside liability coverage, sold to the same party as separate legal policies, issued with an overall view, including for pricing and customer benefit, within a reasonable time gap between issuance dates, and sometimes with a contractual link between them, will be aggregated and treated as a single insurance contract.

5. Contract boundaries

For insurance contracts, cash flows are within the boundaries of the contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation ends when the Company has the practical ability to reassess the risks of the policyholder (a singly policyholder) or of the portfolio of the insurance contracts. At that point, the Company has the practical ability to set a new price or change the terms of the benefits that fully reflects those risks, provided that the pricing at the portfolio level did not include a future cost risk in the overall premium. The Company's practical ability to determine a price at a future date that fully reflects the risks in the contract as from that date exists when there are no limitations that prohibit the Company to reprice the contract in an identical manner to that applied in pricing a new contract with the same characteristics.

In determining the contract boundaries of insurance contracts, the Company examines each contract separately and considers the overall substantive obligations and rights, whether these arise from a contract, a law or a regulation, eliminating any conditions that lack commercial substance.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

<u>Principal changes in the accounting policy</u> (continued)

5. Contract boundaries (continued)

For held reinsurance contracts, cash flows are within the boundaries of the contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company is obligated to pay amounts to the reinsurer or has a substantive right to receive services therefrom. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risks transferred to it and to set a new price or change the terms of the benefits to fully reflect those risks, or, alternatively, when the reinsurer has a substantive right to discontinue the coverage.

Following is a detailed discussion of specific issues pertaining to contract boundaries:

<u>For insurance policies issued commencing in 2016 and thereafter</u>

According to the Commissioner's position, as expressed in the Circular, even though it is a policy that renews every two years, at the scheduled renewal date it cannot be said that there is a practical ability to reassess the portfolio's risks and accordingly set a new price that fully reflects those risks. Accordingly, the periods after the scheduled renewal date will be included within the contract boundaries.

<u>Allocation of expenses</u>

In accordance with the provisions of IFRS 17, the Company includes within the contract boundaries cash flows that are directly attributable to the insurance contract, including insurance acquisition cash flows. In this context, the Company will not allocate to the insurance contract product development costs, corporate branding costs and training costs.

<u>Held reinsurance contracts</u>

In accordance with the accounting policy pursuant to IFRS 4, the measurement of the reinsurance contracts relates only to the underlying contracts transferred to the reinsurer as at the balance sheet date. Under IFRS 17, in addition to the aforesaid cash flows, the boundaries of the reinsurance contract may also include cash flows in respect of underlying contracts that the Company expects to sell (and transferred to the reinsurer) during the contract period, provided that the Company and the reinsurer do not have the right to cancel or reprice the liability for the transfer of those expected future contracts.

<u>Allocation of insurance acquisition cash flows to future renewals</u>

Insurance acquisition cash flows will be allocated to renewals of insurance contracts only if the Company expects to recover the related cash flows through the renewal of those contracts and based on the manner in which the Company expects to recover them. See also section 6 below.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

6. Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Cash flows that are directly attributable to a group of insurance contracts will be allocated to the same group as well as to groups that include insurance contracts that are expected to arise from renewals of the insurance contracts in that group, where applicable. Insurance acquisition cash flows that are directly attributable to a portfolio of insurance contracts will be allocated to groups of contracts in the portfolio, including groups of insurance contracts that have not yet been recognized. Where the Company has allotted an insurance acquisition cash flows to insurance contracts not yet recognized, this amount will be recognized as a separate asset.

Insurance acquisition cash flows relating to already recognized insurance contracts will be included in the measurement of insurance contracts as part of the present value of future cash flows and will reduce the CSM value (in the GMM model) or the carrying amount of the Liability for Remaining Coverage in the PAA model. This is a significant change compared to the policy prescribed in IFRS 4, whereby all insurance acquisition cash flows were recognized and measured as a separate asset in the statement of financial position. It should be noted that, accordingly, in the GMM model, insurance acquisition cash flows will be recognized in the Company's profit or loss based on the timing of the CSM release, instead of the current method of straight-line amortization that accounts for actual cancellations.

7. Discount interest rate for purposes of the Standard

The Standard determines that the estimates of future cash flows must be adjusted to reflect the time value of money and the financial risks relating to those cash flows.

The Company determines the interest curves for all groups of insurance contracts using the Bottom-Up approach, which is the default approach prescribed in the Commissioner's Circular. According to this approach, the discount rate is derived by adding an illiquidity premium (that reflects the illiquidity rate of the measured liability) to the risk-free interest curve. The risk-free interest curve is based on the yields-to-maturity of marketable government bonds. The Last Liquid Point is the 25th year. Beyond this point, the Company determines the risk-free interest curves by extrapolation, using the Smith-Wilson Method, up to the ultimate forward rate, over 60 years. The full illiquidity premium is determined based on the average spread of the bonds included in the Tel Bond-60 Index. This premium is added, in full or in part, to the risk-free interest curve, based on the illiquidity characteristics of the related cash flows. With respect to the illiquidity premium rate, the Company applies the weights determined by the Commissioner in the Circular.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

8. Risk adjustment for non-financial risk ("RA")

The RA reflects the compensation that the Company requires for bearing the uncertainty regarding the amount and the timing of the cash flows that arise from non-financial risks, including an insurance risk and other non-financial risks, such as cancellations risk and expenses risk. The Company adjusts the present value estimate of the future cash flows for this amount, which is separately presented in the Company's total liabilities.

The Standard does not specify the estimation techniques that are used to determine the risk adjustment for non-financial risks.

The RA calculation will be based on Solvency principles: in life and health insurance products as a function of the SCR; in general insurance products in accordance with 'best practice' principles; the reinsurance risk adjustment will be calculated as a function of reinsurance SCR and will apply only to coverages for which reinsurance exists.

9. The coverage units and release of the contractual service margin (CSM) for groups of contracts measured under the GMM model

The CSM represents the liability for the unrealized profit from future services. According to the standard, the CSM will be recognized in profit or loss over the coverage period in a pattern that reflects the insurance service provided by the Company in connection with the contracts included in the group of insurance contracts. This pattern is determined based on the rate of the coverage units provided in the period to the total coverage units that are expected to be provided in the future in connection with the group of insurance contracts.

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period.

In life insurance, severe illness and personal accidents insurance, the coverage units were determined based on the insurance amount specified in the coverage

In medical expenses insurance, the coverage units were determined based on the number of effective coverages.

The coverage units for held reinsurance contracts are consistent with those of the underlying contracts, with adjustments for the different services provided.

IFRS 17 does not determine whether the time value of money needs to be taken into account when allocating the contractual service margin to the coverage units, so that the allocation reflects the expected timing of provision of the coverage units. In this context, the Company has elected to account for the time value of money when allocating the contractual service margin to the coverage units.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

10. Presentation

Under IFRS 17, the Company will split the amounts recognized in the statement of profit or loss and other comprehensive income between:

- Results of insurance services, including insurance income and insurance services expenses; and
- Financing income or financing expenses from insurance.

This separation will enhance the transparency of the sources of profit of the Company.

Insurance services results

The total revenue from insurance services for a group of insurance contracts is the consideration for the contracts, adjusted for financing effects.

Revenue from insurance services under the GMM Model will be calculated based on the decrease in liabilities for the remaining coverage of the services provided in the period, with the addition of an allocation of the amount of premiums relating to the recovery of insurance acquisition cash flows in the reported periods. The Company will perform this allocation based on the coverage units that are used to release the CSM. Under the PAA Model, revenue from insurance services is recognized over time as the insurance coverage is provided.

Expenses that are directly attributable to the sale and maintenance of the insurance contracts will be included in the measurement of the insurance contracts and recognized as an expense in the results of the insurance services. Expenses that cannot be directly attributed to the insurance contracts will be recognized as an expense outside the results of the insurance services as incurred.

Financing income or financing expenses from insurance

Changes in the carrying amount of the group of insurance contracts resulting from the effect of the time value of money and changes in the time value of money, as well as from the effect of financial risk and changes in financial risk, are recognized as insurance financing income or expenses.

The Standard requires the Company to select one of the following accounting policies:

a. Inclusion of insurance financing income or expenses for the period in profit or loss; or

b. Dividing insurance financing income or expenses for the period between profit or loss and other comprehensive income.

This selection is made at the insurance-portfolio level.

The accounting policy selected by the Company for all insurance portfolios is the inclusion of insurance financing income or expenses for the period in profit or loss. This policy, together with the policy to designate financial assets within the scope of IFRS 9 at fair value through profit or loss (see also below in the discussion regarding IFRS 9), reduces the mismatch in the measurement of assets and liabilities.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: “the Standard” or “IFRS 17”) and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: “IFRS 9”) (continued)

Principal changes in the accounting policy (continued)

10. Presentation (continued)

The Standard does not require the RA to be split between insurance service results and insurance financing income or expenses. The Company anticipates not to apply this exemption and expects to split the change in the RA between insurance service results and insurance financing income or expenses.

11. Transition provisions:

IFRS 17 is to be applied retrospectively (hereafter - “full retrospective implementation”), unless this is not practicable. When applying the full retrospective implementation approach, the Company will identify, recognize and measure each group of insurance contracts, as well as any assets in respect of insurance acquisition cash flows, as if IFRS 17 has been implemented from the outset. In addition, the Company will derecognize any balances that would not have existed had IFRS 17 been implemented from the outset. The resulting net difference will be carried to equity.

The transition date is January 1, 2024. Accordingly, on the date of first-time implementation the Company will restate the comparative figures for 2024.

If full retrospective implementation of a group of insurance contracts and/or an asset in respect of insurance acquisition cash flows is not practicable, the Company will implement one of the following approaches:

a. Modified retrospective approach (MRA) - The objective of this approach is to achieve the closest outcome to retrospective application as possible, using certain exemptions prescribed in the standard, applying reasonable and supportable information available without undue cost or effort; or

b. Fair value approach (FVA) - To apply this approach, the Company will determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the contract fulfilment cash flows measured at that date.

The Company expects to implement the transition approaches to the insurance portfolios as follows:

Full modified retrospective implementation approach:

- For general insurance portfolios;
- For overseas travel insurance portfolio measured under the PAA model;
- For reinsurance portfolios measured under the PAA model, consistently with the treatment of the gross contracts against which the reinsurance contracts are provided.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

11. Transition provisions (continued)

Fair value approach (FVA):

In the Company's view, for the remaining insurance portfolios it is impractical to apply Standard retrospectively, primarily for the following reasons:

- The effects of full retrospective application cannot be determined because the required information (such as expectations regarding the profitability of insurance contracts and the risk that they will become onerous, historical cash flow information, information on changes in estimates and assumptions, etc.) has not been collected or is not available due to information system replacements, data retention requirements, or other reasons;
- The full retrospective application approach requires assumptions about the Company's management's intentions in prior periods or material accounting estimates that cannot be performed without the use of hindsight – for example, assumptions about RA for prior periods where these assumptions were not required by the Company.

Therefore, for the remaining insurance portfolios (life and health insurance not treated under the PAA model), the Company will apply the Fair Value Approach (FVA) at the transition date. The fair value of these portfolios will be determined according to a valuation by external consultants (hereinafter: "the Fair Value Assessment").

In accordance with the Circular published by the Commissioner, the Fair Value Assessment of life and health insurance portfolios measured using the Fair Value Approach (FVA) will be performed using the Appraisal Value method. The calculations in this method will be based, to the extent possible, on the other calculations performed as part of the Standard's implementation and on the calculations performed as part of the Solvency reports.

In applying the Fair Value Approach, insurance contract groups may also include contracts issued with a gap of more than one year. The Company has elected to apply this exemption and not to divide groups into those including only contracts issued within a time gap of one year or less.

Following are the main assumptions underlying the Fair Value Assessment:

- As a rule, the AV Approach valuation determines the fair value of insurance contract groups by determining the required compensation, from a market participant's perspective, for taking on these portfolios. This compensation is required due to the fact that the market participant is required to hold capital for economic solvency requirements, in addition to the basic amounts held to pay the expected cash flows to cover insurance liabilities;
- The valuation assumes that the asset amounts held by the market participant against insurance liabilities and against the additional capital buffers required under the economic solvency regime provisions will be invested until their distribution as dividends, at a risk-free interest rate;

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

11. Transition provisions (continued)

- In accordance with the Commissioner's directives, the valuation assumes that the capital buffers held against insurance liabilities in each group are at a rate of 121% of the minimum capital requirements (SCR), in the year following the transition date, which will increase to 135% by the end of 2032 (when the economic solvency regime deployment provisions end);
- The valuation assumes that 40% of the capital requirements will be provided through the issuance of Tier 2 capital instruments;
- The valuation was based, in principle, on cash flow forecasts, including expense forecasts, that the Company uses for its Solvency regime purposes, in accordance with the Commissioner's guidelines and the assumption that these forecasts are consistent with a market participant's perspective;
- The amount of capital required to be held for the portfolio is influenced, inter alia, by the level of diversification. In accordance with the Commissioner's directives, the valuation is based, as a starting point, on the level of diversification existing in the Company's portfolios at the actual transition date, assuming that this is the diversification level consistent with a market participant's perspective as well. To estimate the projected capital requirements attributable to the valued portfolios, the valuation assumes that new insurance products will be marketed by the market participant, in a volume and type similar to the insurance products actually marketed by the Company in 2023, which will affect the forecast of the future diversification effect. The diversification effect obtained as described above was allocated uniformly to the capital requirements of the valued insurance portfolios;

The valuation assumes that the market participant will require a Target Return on Equity at a total rate of 13.6%, based primarily on the CAPM model.

12. IFRS 9 - Financial Instruments

Classification and measurement:

In implementing IFRS 9, the Company will classify financial assets based on their subsequent measurement at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, based on the Company's business model for managing financial assets, as well as on the characteristics of the contractual cash flow of the financial asset.

IFRS 9 also introduces a new model for recognizing credit losses that supersedes the existing impairment model included in the expected credit loss model of IAS 39. The model is applicable to financial assets measured at amortized cost and to investments in debt instruments measured at fair value through other comprehensive income; it does not apply to investments in equity instruments.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

International Financial Reporting Standard No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9") (continued)

Principal changes in the accounting policy (continued)

12. IFRS 9 - Financial Instruments (continued)

A financial asset will be measured at amortized cost if the two following conditions are fulfilled:

a) The financial 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; and

b) The contractual terms of the financial asset create eligibility, at specified dates, to cash flows that consist solely of payments of principal and interest on the unpaid principal amount (hereafter - "the principal and interest criterion").

A financial asset will be measured at fair value through other comprehensive income if the two following conditions are fulfilled:

a) The financial asset is held within the framework of a business model that is designated to collect contractual cash flows and to sell financial assets; and

b) The principal and interest criterion is fulfilled.

A financial asset will be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income. Despite the aforesaid, on the date of initial recognition, the Company may designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise be created from the measurement of assets or liabilities or from recognition of gains and losses thereon using other bases.

The Company intends to designate to fair value through profit or loss all of its investments in debt assets against the insurance liabilities. Additionally, the Company does not expect to designate financial investments in equity instruments to measurement at fair value through other comprehensive income. Consequently, these investments will be measured at fair value through profit or loss.

The Company will also review the business model for the management of its investments in the remaining debt assets counteracting the equity and other liabilities, and to the extent that the business model for the management of those investments is fair-value-based with exclusively incidental collection of the cash flows - those assets will also be measured at fair value through profit or loss.

In view of the aforesaid, the Company expects to apply measurement at fair value through profit or loss to substantially all of its financial assets. Accordingly, the Company's provision for expected credit losses is not expected to be material.

The classification and measurement of financial liabilities will remain unchanged.

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

Quantitative disclosure - pro forma data

Presented below is the anticipated effect of the implementation of IFRS 17 and IFRS 9 on the statement of financial position items as of January 1, 2024:

	As at December 31, 2023 as previously reported	Effect of first-time implementation of IFRS 17 and IFRS 9	Pro forma balance sheet as at transition date 1.1.2024
		NIS in thousands	
Assets			
Cash and other cash equivalents	143,615	-	143,615
Other financial investments measured at fair value	2,120,724	2,888	2,123,612
Other financial investments measured at amortized cost	116,969	(2,888)	114,081
Other accounts receivable	67,316	(9,890)	57,426
Current tax assets	72,696	-	72,696
Insurance contract assets (1)	-	65,471	65,471
Reinsurance contract assets (2)	761,369	(295,885)	465,484
Property and equipment	18,623	-	18,623
Intangible assets	29,623	-	29,623
Total assets	3,330,935	(240,304)	3,090,631
Liabilities			
Other accounts payable	148,908	-	148,908
Liabilities for insurance contracts (1)	1,996,146	6,365	2,002,511
Liabilities for reinsurance contracts (2)	312,346	(312,346)	-
Liabilities with respect to employee benefits, net	2,830	-	2,830
Liabilities with respect to deferred taxes	4,501	22,456	26,957
Total liabilities	2,464,731	(283,525)	2,181,206
Equity			
Share capital	6	-	6
Share premium	250,601	-	250,601
Other capital reserves	15,708	-	15,708
Retained earnings	599,889	43,221	643,110
Total equity attributable to the equity holders of the Company	866,204	43,221	909,425
Total liabilities and equity	3,330,935	(240,304)	3,090,631

NOTE 33 - IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD NO. 17 (continued):

Quantitative disclosure - pro forma data (continued)

(1) Of which: with respect to contractual service margin (CMS) in an amount of NIS 187,809 thousand and NIS 54,529 thousand for the life insurance sector and the health insurance sector, respectively, and with respect to risk adjustment (RA) in an amount of NIS 7,512 thousand, NIS 6,721 thousand and NIS 150,297 thousand for the life insurance sector, the health insurance sector and the general insurance sector, respectively. The insurance portfolios that contribute to the CSM in life insurance are risk and medical expenses, and in the health insurance sector the contributors are personal accidents and severe illness .

(2) Of which: with respect to contractual service margin (CMS) in an amount of NIS 27,475 thousand and NIS 1,045 thousand for the life insurance sector and the health insurance sector, respectively, and with respect to risk adjustment (RA) in an amount of NIS 401 thousand, NIS 34 thousand and NIS 80,331 thousand for the life insurance sector, the health insurance sector and the general insurance sector, respectively. The insurance portfolios that contribute to the CSM in life insurance are risk and medical expenses, and in the health insurance sector the contributors are personal accidents and severe illness.

The main effects on the equity as at the transition date are the write-off of the deferred acquisition costs attributed to life insurance, the write-off of a premium deficiency in vehicle property insurance, and the creation of a liability for remaining coverage (LRC) in portfolios that are measured under the general measurement model (GMM), based on the fair value approach at the transition date, as adopted by the Company.

Chapter D - Additional Information on the Entity

Regulation 25A

Company name:	**AIG Israel Insurance Company Ltd. (“the Company”)**
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, 2024
Date of report:	March 25, 2025

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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, 2024
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%	1,834	625	2,459
Hagar Ben Ezra	Deputy CEO	100%	0%	1,224	299	1,523
Olivia Zohar	VP	100%	0%	976	212	1,188
Michal Lodzki	VP	100%	0%	871	227	1,098
Asaf Michaeli	VP	100%	0%	852	190	1,042

* 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).

*** Mr. Michaeli ended his employment with the company on January 2, 2025.

Compensation to CEO
The monthly salary of CEO was set to NIS 109,528 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 560 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 are 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 28 (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 [Check for updates before publication, as an appointment of an additional Independent Director is expected**]**

1. **Name:** Roberto Nard - Chairman of the Board of Directors[1]
   Passport no.: YC0832763
   Date of birth: September 3, 1962
   Address for the service of process: 35D Avenue J.F. Kennedy, 1855 Luxemburg
   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, CFO AIG EMEA
   Date of commencement of service as director February 1, 2021
   Education: BA in Accounting, from Milan University
   Main occupation during the past 5 years as well as other companies in which he serves as a director: CFO, AIG Europe.
   Relation to another interested party in the Company: No

2. **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 Global Capital, AIG
   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 FP&A - AIG EMEA, CFO - AIG Middle East & Africa
   Relation to another interested party in the Company: No

3. **Name:** Benedetta Cossarini
   Passport no.: YA7163364
   Date of birth: July 16, 1968
   Address for the service of process: Mesena 109-1E Madrid 28033
   Citizenship: Italian
   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, General Manager AIG Iberia
   Date of commencement of service as director: March 20, 2024
   Education: LLB and LLM Commercial Law from universities in Madrid.

[1] Assumed the role of Chairman of the Board, replacing Thomas Lillelund, as of January 19, 2025.

Main occupation during the past 5 years as well as other companies in which he serves as a director: General Manager AIG Iberia
Relation to another interested party in the Company: No

4. **Name:** Shane O'dea
Passport no.: PI3264558
Date of birth: September 20, 1972
Address for the service of process: 35D Avenue JF Kennedy, Luxembourg, Luxembourg,
Citizenship: Irish
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 Actuary of AIG Europe SA – Luxembourg, EMEA
Date of commencement of service as director: January 19, 2025
Education: BSc in Actuarial Science from the University of London and certifications from Lloyd's.
Main occupation during the past 5 years as well as other companies in which he serves as a director: Chief Actuary of AIG Europe SA – Luxembourg, EMEA
Relation to another interested party in the Company: No

5. **Name:** Thomas Lillelund - (served as Chairman of the Board of Directors and a director in the Company until September 17, 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: LL.B .in Law and LL.M. in Commercial Law from universities in Madrid.
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

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.
Relation to another interested party in the Company: No

7. **Name:** Hava Friedman Shapira
I.D. No.: 026742155
Date of birth: September 22, 1954
Address for the service of process: 3 Uri'el Ofek St., Herzliya
Citizenship: Israeli
Member of Board committees: Yes. Audit Committee, Compensation Committee, and Non-Yield-Dependent Investments 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: February 4, 2025
Education LLM Technology and Business Innovation, and MA in Diplomacy and Conflict Resolution from Reichman University, as well as an MBA from NYIT and a BSc from Adelphi University in New York.
Main occupation during the past 5 years as well as other companies in which he serves as a director: Director in the company.
Relation to another interested party in the Company: No

8. **Name:** Arie Nachmias[2]
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, Non-Yield-Dependent 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

9. **Name:** Dorit Hanegbi[3]
I.D. no.: 055884126
Date of birth: June 7, 1959
Address for the service of process: 5 Trumpeldor St., Kfar Saba

[2] On January 16, 2025, Arie Nachmias ended his service as an Independent Director in the Company.

[3] On January 30, 2025, Dorit Hanegbi ended her service as an Independent Director in the Company.

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: director in the company.
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: 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
   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 in Social Science from the Academic College of Tel Aviv-Yaffo, Deputy CEO and Head of Private Customers Division at Isracard.
   Date of commencement of service: October 27, 2022

3. **Name:** Usher Gray
   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

4. **Name:** Shai Guttman
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: MBA in Business Administration. Chief Information Officer at UPS.
Date of commencement of service: January 1, 2024

5. **Name:** Ifat Papo
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: BA in Management and Social Science, Open University. 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: 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: LL.B, BBA, MBA. VP Trade, Digital and Business Development at Globes, VP Online Digital
Date of commencement of service: December 15, 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: 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:** 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: LL.B. UMI Insurance Agency – CEO.
Date of commencement of service: December 12, 2021.

10. **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: 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.

11. **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: 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.

12. **Name:** Assaf Michaeli[4]
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: 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.

[4] Mr. Michaeli ended his employment with the Company on January 2, 2025.

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, and Mr. Tal Zaharani, a partner in the company filling in for Ms. Tali Bisker Avisar in the audit of the financial statements as at December 31, 2024 and for the year ended on that date, 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 2024
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 January 31, 2024, 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.
   2. On March 4, 2024, the General Meeting of the Company passed the following resolution: appointment of Ms. Benedetta Cossarini as a director in the Company.
   3. On November 26, 2024, the General Meeting of the Company passed the following resolutions: (1) appointment of Ms. Hava Friedman Shapira as an Independent Director

in the Company; (2) renewal of the appointment of Somekh Chaikin as auditors of the Company and authorizing management of the Company to negotiate their fees.

4. On January 21, 2025, the General Meeting of the Company passed the following resolution: appointment of Mr. Shane O'dea as a director in the Company.

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, 2025 through February 28, 2026. The liability limit is US$ 25 million with a deductible of US$ 35,000 per claim and for the whole insurance period, including litigation expenses, as agreed with the insurer[5].

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 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.

5 The policy was renewed for an additional 12 months in February 2025.

Chapter D - Additional Information on the Entity

AIG Israel Insurance Company Ltd.

Date: March 25, 2025

Roberto Nard	**Yfat Reiter**
Chairman of the Board	**C.E.O**

GENERAL INSURANCE SECTORS – ACTUARY STATEMENT

AS OF DECEMBER 31, 2024

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, 2024, 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.

(e) The work methods, work assumptions and professional standards are uniformly and consistently applied by the actuarial team in the various insurance sectors.

March 25, 2025	**Shay Elgrably**	

2. Data included in the section on the scope of the actuarial opinion

As of December 31, 2024

2.1 Pending Claims

2.1.1 Non-aggregated sectors:

		Gross	Retention
		NIS in thousands	
	Vehicle property	167,098	167,098
	Comprehensive home	52,787	49,359
	Loss of property	52,811	238
	Engineering insurance	30,990	40
	Vehicle compulsory	998,964	817,535
	Employers' liability	46,343	7,221
	Third-party liability	109,307	13,714
	Product liability	41,153	6,984
	Professional liability	288,180	24,406
	Other	5,049	632
	Total non-aggregated sectors	1,792,682	1,087,228
	Total aggregated sectors	-	-
2.1.2	**Total aggregated and non-aggregated sectors**	**1,792,682**	**1,087,228**
2.2	Indirect expenses for all sectors	62,341	62,341
2.3	Premium deficiency:	1,181	1,181
Total pending claims, indirect expenses, premium deficiency reserve computed in accordance with actuarial valuation:		**1,856,204**	**1,150,750**

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	1,008,461	929,827	998,964	7.44%
Vehicle property	160,825	160,825	167,098	3.90%
Comprehensive home insurance	48,968	48,968	52,787	7.80%
Engineering insurance	27,401	27,401	30,990	13.10%
Property	46,694	46,964	52,811	13.10%
Employers' liability	46,130	42,438	46,343	9.20%
Other	4,872	4,402	5,049	14.70%
Product liability	38,465	35,234	41,153	16.80%
Professional liability	276,512	251,246	288,180	14.70%
Third-party liability	108,003	99,460	109,307	9.90%
Total	**1,766,330**	**1,646,496**	**1,792,682**	**8.88%**

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	823,737	762,919	817,535	7.16%
Vehicle property	160,825	160,825	167,098	3.90%
Comprehensive home insurance	45,788	45,788	49,359	7.80%
Engineering insurance	36	36	40	13.10%
Property	211	211	238	13.10%
Employers' liability	7,185	6,613	7,221	9.20%
Other	611	551	632	14.70%
Product liability	6,593	5,980	6,984	16.80%
Professional liability	23,463	21,278	24,406	14.70%
Third-party liability	13,514	12,479	13,714	9.90%
Total	**1,081,961**	**1,016,679**	**1,087,228**	**6.94%**

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 end of the fourth quarter of 2024 and for 2023 and changes in provisions.

<u>Auto property</u>

The trend of positive underwriting results (profit) continues in the fourth quarter of 2024. Main factors include:

- Additional improvement in average earned premiums;
- Increase in the frequency of claims in the current quarter compared to the previous quarter, mainly as a result of weather damages in the fourth quarter (in annualized terms, the frequency level is similar to the level at the end of the previous year; however, the frequency in the fourth quarter of 2023 was low as a result of the events of October 7).

- Improvement in the overall severity in the current quarter (in annualized terms, severity has increased compared to its level at the end of the previous year).At the same time, an improvement was recorded in the severity level of self-inflicted damage starting in the fourth quarter of 2024, this as part of actions taken by the Company.
- There was a deterioration in the average cost per claim results (ACCP) in theft coverage in all the quarters of 2024. While, overall, LR shows a downward trend, this stems primarily from the ongoing increase in average earned premiums and the more moderate increase in frequency. There was also an increase in the exposure unit.

Total balances increased by NIS 38.1 million.

Compulsory Vehicle Insurance

Gross: NIS 157.5 million increase in pending claims.

Our analysis shows a deterioration in the severity of the claims commencing in underwriting year 2018 and thereafter (the LR trend improved in the fourth quarter of 2022 following the raising of premium rates).

The frequency of claims followed a positive trend until 2020, but significantly deteriorated in the subsequent underwriting years.

The personal injury results are affected by inflation (the Consumer Price Index) and by changes in the yields curve (discount of the reserves). Inflation in the quarter reached 0.1% (3.4% in cumulative annualized terms as at the fourth quarter). Due to the war, the yields curve increased by 0.5% in the second quarter of 2024 (across the curve), increasing the impact of discount during the quarter (the discount impact persisted in the third and fourth quarters of the year).

Commencing on January 1, 2023, a new arrangement was instituted with the National Insurance Institute of Israel (regulation/law) - transfer of 10% of the premium against the discontinuance of subrogation by the National Insurance Institute. Commencing on January 1, 2025, the percentage of the premium that the Company will transfer to the National Insurance Institute will be updated to 10.95%.

Retention: NIS 115.5 million increase in pending claims.

Personal Property

The sector is characterized by seasonality: the first quarter of 2024 and the fourth quarter of 2023 are characterized by weather events, which translates into high LR results in those quarters, as compared to the second and the third quarters of the year. In addition, the results in the first quarter of 2024 deteriorated compared to the corresponding quarter last year, and had a significant impact on the annual result.

The results of the fourth quarter (similar to those of the second and the third quarters) of 2024 are consistent with projections for the period. In addition, the average earned premiums show continued improvement between the quarters.

As expected, due to seasonality effects, weather-related losses were recorded in the fourth quarter of the year.

Reinsurance costs: catastrophe reinsurance costs significantly affect the overall results.

Consequently, gross pending claims increased by NIS 1.5 million (NIS 1.2 million in net terms).

Commercial - Professional Liability Insurance

With the exception of one increase (above 1m ILS) for claims case estimate reserve (NIS 7.0 million increase in the reported pending claims reserve), there was no significant event in the fourth quarter of 2024.

The reserves are discounted, and are therefore influenced by changes in the yields curve.

Commercial - Product Liability and Third-Party Liability Insurance:

With the exception of two increases (above 1m ILS) for claims case estimate reserve (total increase of NIS 2.7 million in the reported pending claims reserve for both claims), there was no significant event in the fourth quarter of 2024.

The reserves are discounted, and are therefore influenced by changes in the yields curve.

Commercial - Property

With the exception of three increases (above 1m ILS) for claims case estimate reserve (total increase of NIS 6.7 million in the reported pending claims reserve for both claims), there was no significant event in the fourth quarter of 2024.

Comparison of annual actuarial estimate compared with previous year's actuarial estimate – gross			
Sectors	**Addition as of 31.12.2023**	**Addition as of 31.12.2024**	**Change in reserve**
Compulsory vehicle	841,499	998,694	157,465
Vehicle property	128,999	167,098	38,098
Comprehensive home	51,291	52,787	1,496
Engineering insurance	36,690	30,990	-5,700
Property	41,401	52,811	11,411
Employers' liability	46,507	46,343	-165
Other	4,737	5,049	312
Product liability	43,326	41,153	-,2,173
Professional liability	289,525	288,180	-1,346
Third-party liability	112,811	109,307	-,3,505
Total	**1,596,788**	**1,792,682**	**195,894**

Comparison of annual actuarial estimate compared with previous year's actuarial estimate – retention			
Sectors	**Addition as of 31.12.2023**	**Addition as of 31.12.2024**	**Change in reserve**
Compulsory vehicle	702,018	817,535	115,518
Vehicle property	128,999	167,098	38,098
Comprehensive home	48,134	49,359	1,225
Engineering insurance	102	40	-62
Property	186	238	52
Employers' liability	6,732	7,221	489
Other	680	632	-48
Product liability	8,601	6,984	-1,617
Professional liability	27,780	24,406	-,3,374
Third-party liability	13,959	13,714	-245
Total	**937,191**	**1,087,228**	**150,037**

March 25, 2025	**General Insurance Actuary Director**	**Shay Elgrably**	
Date	Position	Name of Actuary	Signature

HEALTH INSURANCE SECTOR – ACTUARY STATEMENT

AS OF DECEMBER 31, 2024

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, 2024, 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	108,468	103,313
Personal accidents – collective	275	275
Overseas travel– individual	15,026	13,715
Overseas travel – collective	-	-
Severe illness – individual	8,668	7,024
Total reported in general insurance	**132,437**	**124,327**

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	5,455
Collective	13
Total	**5,468**

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	9,847	9,847

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 2024.

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 25, 2025	**Health Insurance Actuary Director**	**Tom Hamo, F.IL.A.A**	
Date	Position	Name of Actuary	Signature

Statement 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 25, 2025	**Shay Elgrably**	

LIFE INSURANCE SECTOR – ACTUARY STATEMENT

As of December 31, 2024

AIG INSURANCE CO. LTD.

Chapter A – Statement of the Actuary

Presented below is an actuarial statement in relation to the Company's life insurance business.

We draw special attention to section A.4 of the statement concerning notes and clarifications.

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, 2024, 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	50,697	42,732	84%
Permanent disability	28,136	18,329	65%
Disability from accident	9,340	6,436	69%
Unemployment	95	48	50%
Severe illness	3,077	2,272	74%
Medical expenses	2,181	1,500	69%
Total life - individual	**93,527**	**71,315**	**76%**

b) Provision for indirect expenses for claim settlement

Sector	Gross provision (NIS thousands)	Provision in retention (NIS thousands)
Life insurance – individual	2,190	2,190

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	2,018	2,018

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	47	39

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 25, 2025	**Life Insurance Actuary Director**	**Tom Hamo, F.IL.A.A**	
Date	Position	Name of Actuary	Signature

Statement 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.

(e) The work methods, work assumptions and professional standards are uniformly and consistently applied by the actuarial team in the various insurance sectors.

March 25, 2025	**Shay Elgrably**	

Chief Actuary’s Report

Capital of an Insurance Company - Economic Solvency Regime

AIG Israel Insurance Company Ltd.

25 March 2025

Contents

Chapter A - Declaration of the Chief Actuary

Part A - Information on the Chief Actuary

I have been requested by AIG Israel Insurance Company Ltd. to express my opinion on the activity of the actuarial group over the past year, and on the reasonability of the actuarial estimates, as set forth in the Chief Actuary's chapter below, which are used in the preparation of the economic solvency ratio of the Insurer, AIG Israel Insurance Company Ltd., as at 18 March 2025, as described below.

I am an employee of the Insurer. I am not an interested party in the Insurer or a family member of an intersted party in the Insurer.

I was appointed as Chief Actuary by the Insurer upon the commencement of my work at the Company (October 2021), following the submission of the appointment to Supervision in accordance with the provisions of the Consolidated Circular - Appointed Actuary and Chief Actuary (no. 2022-9-23) and its approval thereby on February 26, 2023.

Part B - Scope of the Actuarial Opinion of the Chief Actuary

I hereby declare and confirm that:

a) For the purpose of calculating the various estimates included in this report I verified that the work of the actuarial group conforms with the provisions of the law and the professional standards generally accepted in actuary practice, and with my duties, as defined in the "Chief Actuary" chapter of the consolidated circular;
b) I verified that the work processes of the actuarial group are anchored in procedures that provide, inter alia, for the embedded tests and controls of each of the principal and material activities of the actuarial group;
c) The Company has provided to the actuarial group appropriate conditions and resources for fulfilling the tasks that are within the scope of its duties, and the information and data that are required for assessing the various actuarial estimates. I have reviewed the reasonability and adequacy of the data, including by comparison of the aforesaid data against the data for the year covered in the report and the data for previous years;
d) For the purposes of the explanations provided in this report, I also relied on the respective work of the sectors' Appointed Actuaries in overseeing the work of the actuarial group's team, including the results of the actuarial calculations of the BE, the SCR and the RM, and the changes therein. For the purposes of chapters E and F of this report concerning the underwriting and reinsurance policies, I also relied on the information provided to me by the functions in the Company that handle these matters.
e) The report addresses all of the instances in which there is material uncertainty regarding the various estimates, as well as any other topic that may be material to the understanding of the data, the information, the risks and the actuarial calculations that served as the basis for the calculation of the BE, the SCR and the RM and of the estimates involving material uncertainty.
f)

25 March 2025	Shay Elgrably	
Date	**Name of Chief Actuary**	**Signature**

Part C - Scope of the Actuarial Opinion of the Chief Actuary

Appointed Actuary of General Insurance

I hereby declare and confirm that:

a. I, Shay Elgrably, the Appointed Actuary in charge of the vehicle, home, commercial property and commercial liability insurance sectors, have performed, tested and reviewed the actuarial calculations that are required for the calculation of the Company's economic solvency as at December 31, 2023.
b. I have verified that the calculation processes, the models, the work assumptions, the data and the changes in all of the aforesaid are reflected in the calculation results, are reasonable and comply with the provisions of the law and with generally accepted professional standards, including my duties, as defined in the "Chief Actuary" chapter of the consolidated circular.
c. For the purposes of the Chief Actuary's report, I have submitted the results of the BE, SCR and RM calculations of the businesses in the sector for which I am responsible, after applying reasonable controls to test their accuracy.
d. I have also submitted to the Chief Actuary my opinion on the Company's underwriting and reinsurance policies and their effect on the results of the actuarial calculations in the areas that are under my responsibility. For this purpose, I also relied on the information provided to me by the functions in the Company that handle these matters.
e. In addition, I pointed out the main points and principal findings that need to be addressed in order to improve the work of the area that is under my responsibility as well as the progress made in addressing the findings of the previous report.

25 March 2025	Shay Elgrably	
Date	**Name of Appointed Actuary**	**Signature**

Appointed Actuary of Health and Life Insurance

I hereby declare and confirm that:

a. I, Tom Hamo, the Appointed Actuary in charge of the life, health and overseas travel insurance sectors, have performed, tested and reviewed the actuarial calculations that are required for the calculation of the Company's economic solvency as at December 31, 2023.
b. I have verified that the calculation processes, the models, the work assumptions, the data and the changes in all of the aforesaid are reflected in the calculation results, are reasonable and comply with the provisions of the law and with generally accepted professional standards, including my duties, as defined in the "Chief Actuary" chapter of the consolidated circular.
c. For the purposes of the Chief Actuary's report, I have submitted the results of the BE, SCR and RM calculations of the businesses in the sector for which I am responsible, after applying reasonable controls to test their accuracy.
d. I have also submitted to the Chief Actuary my opinion on the Company's underwriting and reinsurance policies and their effect on the results of the actuarial calculations in the areas that are under my responsibility. For this purpose, I also relied on the information provided to me by the functions in the Company that handle these matters.
e. In addition, I pointed out the main points and principal findings that need to be addressed in order to improve the work of the area that is under my responsibility as well as the progress made in addressing the findings of the previous report.

25 March 2025	Tom Hamo	
Date	**Name of Appointed Actuary**	**Signature**

Chapter B - Executive Summary

Background

In accordance with Insurance Circular No. 2022-332, once a year the Chief Actuary will prepare and submit to Management, the Board of Directors and the Commissioner an actuarial report that will describe the work of the actuarial group and its duties .

The report aims to provide explanations that facilitate quantitative and qualitative understanding of the data, the information, the actuarial risks, the estimates involving material uncertainty, and the causes of such uncertainty, all with emphasis on material findings that arose in the course of the work and the performance of the actuarial calculations that serve as the basis for determining the BE, the SCR and the RM pursuant to the Solvency directives, reported on June 2024.

This report relies, inter alia, on the work of the Supervising Actuaries in their respective areas of responsibility, as well as on other actuarial studies and analyses performed by the actuarial group during the period. In addition, the report will describe consultations and inquiries made with the relevant functions in the Company, including the underwriting and reinsurance policies.

Main Findings

As shown in the table below, the capital requirement has increased from one half-year to the next. The main drivers for this growth are:

Non-Life Insurance

- Earthquake (CAT) Scenario in Personal Property Insurance (Non-Life): The Total Sum Insured (TSI) level has increased, consequently requiring the company to purchase more CAT reinsurance to reduce exposure.
- The company's significant growth in the auto insurance sector has led to an increase in capital requirements, both due to the rise in premium levels and the growth in reserves (particularly in Auto BI insurance, which experienced a deterioration in claims experience during the period).

Life & Health Insurance

- There is stability in the capital requirement for life and health insurance. In health products, the capital requirement for Short-term products is offset by the capital requirement for long-term products.

Insurance Lines SCR	31/12/2022	30/06/2023	31/12/2023	30/06/2024
Non-Life (P&C)	570,010	541,435	654,736	736,955
Health	147,005	157,113	159,655	158,304
Life	184,430	186,943	188,390	186,088

Non-Life	31/12/2022	30/06/2023	31/12/2023	30/06/2024
CAT	390,935	346,801	428,009	496,917
Premium Risk	167,114	169,767	223,875	247,027
Reserve Risk	161,337	168,265	176,012	186,963
Diversification	-149,376	-143,399	-173,160	-193,952
Total Non-Life	**570,010**	**541,435**	**654,736**	**736,955**

Health	31/12/2022	30/06/2023	31/12/2023	30/06/2024
Diversification	-6,409	-7,786	-10,060	-11,025
Non- SLT	10,909	13,980	19,355	21,108
SLT	140,793	149,197	148,626	146,116
CAT	1,711	1,722	1,734	2,105
Total	**147,005**	**157,113**	**159,655**	**158,304**

Audits and Annual Report - Solvency Audit by External Auditor

As part of the control process and results review, the company conducts sensitivity analysis based on the working assumptions used to determine the Best Estimate (BE) and solvency scenarios. This is in addition to data quality checks and comparisons of results with previous periods. The work was submitted for review and examination by the external auditor, and their comments were taken into account.

Chapter C – Best Estimate Reserves

1. **Processes and Controls**
   a. **Description of the calculation processes in the Company:** Once the data retrieval is completed and controls are performed to verify the reliability and integrity of the data (see Chapter C, section 2 regarding the data), the data are uploaded into the actuarial modelling system (hereafter - "Apollo", a tool developed by AIG that is used throughout the Company's various territories to determine the actuarial reserves).

   Once the data has been uploaded, the actuarial teams prepare the reserves of the Company based on a best estimate range for the various modelling groups (sectors; coverages; underwriting/damage years, etc.) and in accordance with the specific characteristics of each individual group (e.g.: short tail; long tail; seasonality; new products; run-off products; reliability and amount of data, etc.).

   For the purpose of determining the reserves, the reserves' actuarial teams use the various methodologies available on the Apollo system (see Chapter C, section 1b).

   The Appointed Actuary reviews and challenges the various methodologies as well as the work assumptions used, and sets the reserve's best estimate (hereafter - "BE") in the Apollo system.

   Once the reserve has been set by the Appointed Actuary, the various components of the studies' results (e.g., total cost of claims; IBNR; reported contingencies; payments, etc.) are exported. Liabilities, gross and in retention, at the BE level are discounted (Liability lines of business only) and a prudence margin is applied (75th percentile), in accordance with the Best Practices circular.

   The reasonability of the results is examined against corresponding periods on a quarterly (QTD) and an annual (YTD) basis. In addition, a circular test is performed to reconcile the actuarial files submitted to the Finance Department with the reserves set in the Apollo system (see Chapter C, section 1bc).

   The reserves' actuarial teams prepare for Risk Management the cash flows of the actuarial liabilities at the BE level (for the purposes of the solvency calculation), while Risk Management perform the discount of liabilities (solvency-adjusted) and the Risk Margin calculation for determining the capital requirement.

   The Finance Department enters the data into the accounting balance sheet and the economic balance sheet of the risk management files.

   It should be noted that

   - As part of the process described above, the actuarial teams make inquiries with the Claims' Department; the Company underwriters; the Product Department with regard to changes/events, if any, that could affect the reserves.

- In recent years, a peer review process is conducted at AIG, as part of which the actuarial teams in New York receive the data underlying the actuarial assumptions and the studies performed by the local teams and perform an independent testing and review of the reserves set and their reasonability.

- At the conclusion of the process, the studies and data are delivered (upon demand) to the auditors of the Company (KPMG) for review and testing of the results.

- The Finance Department also applies reasonable controls to the actuarial results received and to the changes therein since the previous quarter. It also cross-references the data (payments, reported contingencies) against the operational system to confirm the integrity of the cycle.

b. **The methodologies and models underlying the BE calculation:** The Apollo system is used by the Company's actuarial teams to calculate reserves by applying various actuarial techniques to determine the best estimate range, such as:

- Payments triangles and known triangles: establishing development coefficients using various link ratio and chain ladder methodologies by various cross-sections of underwriting/damage years.
  In instances where data smoothing is required, various distributions are applied (e.g., power; log-normal, inverse power, Weibull, exponential decay). In addition, the Apollo system enables graphic analysis of the development coefficients in the various methodologies, which can be used to deduce the rate of development of the claims.
- Analysis and establishment of a reserve based on frequency and severity. In addition, development triangles are applied to frequency and severity in order to understand and deduce the trends inherent in the data and the anticipated development of the results in the underwriting/damage quarter/year.
- Analysis and establishment of a reserve by applying a development loss ratio analysis, setting an a priori/posteriori loss ratio and using techniques of the Bornhuetter Ferguson type (hereafter - "BF methodology").
- The Cape Cod reserve calculation model. It should be noted that the Company's assessments in recent years did not use this technique.
- AvE (Actual vs Expected) model: This model is used by the actuarial teams to adjust the reserves in the intra-annual quarters. The underlying concept of the model is using the work assumptions and methods set in the annual balance sheet to generate the projected anticipated change in the reserve by comparing the selected development coefficients against the actual payments and change in the results of the Company. Based on the results, the actuary exercises judgment to determine and adjust the necessary change in the reserve.
- For major claims (compulsory vehicle insurance) the modelling uses a log-normal distribution to calculate the reserve.

c. **The controls and tests applied to examine their reasonability for the period and compared to the corresponding period last year:**

As part of the review of the reasonability of the results, the components of the results (total cost of claims, IBNR, reported contingencies and payments) are compared against a previous assessment and the reasonability of the change is reviewed. The test is performed against corresponding periods - on a quarterly basis (QTD) and an annual basis (YTD).

In addition, a cycle review is performed to verify

- the data of payments and reported contingencies in the output files of the Apollo system against the DWH data (to confirm that the input data is the same as the output data), by sector numbers.
- the reconciliation of the actuarial files submitted to the Finance Department and the Risk Management Department (for the solvency calculation) to the reserves set in the Apollo system.

2. **Data**

Data is produced by retrieving data from the DWH and performing controls to verify the integrity and reliability of the data prior to its uploading into the actuarial modelling system (hereafter - “Apollo”, a tool developed by AIG that is used throughout the various territories to determine the actuarial reserves). The tests include comparison of the data received from the DWH to aggregative retrievals from the "Green" (AS400) system as well as of the data in the current assessment against the corresponding assessment.

In addition, the changes in earned premiums are tested for reasonability - current quarter against previous quarter.

3. **Work Assumptions**

Presented below is a description of study-based or externally-affected work assumptions that were used in calculation the BE:

- **Discount interest rate:** In 2024, the yield curve remained at a high positive level due to the Bank of Israel's measures to mitigate the inflationary effects stemming from the war. (As a reminder, in 2023, changes occurred in the interest rate environment and market conditions, and the yield curve shifted to positive).

  As a result of the yield curve remaining at a high positive level, a discounting benefit was obtained for the best estimate reserves after discounting. According to the best practice principle in Auto BI, Commercial Liability and Commercial Financial Lines, the best estimate reserves include the amounts after discounting.

- **Studies in health insurance and life insurance products:** The working assumptions were examined in 2024, as in every year, for the purpose of calculating the BE for solvency and performing a Liability Adequacy Test (LAT) (in Q2, 2024).

  (It should be noted that at the beginning of 2025, the company again updated the studies, which will be used for the solvency exercise calculation for the end of 2024 and for the solvency exercise for the first half of 2025).

  The 2024 study included a review and reassessment of the underlying assumptions and their adaptation to the changes that occurred in the company's business over the year. The assumptions examined in the study are: morbidity (health products), cancellations, and expense ratios.

The method of conducting the working assumption study is consistent with previous years, and the company made the necessary updates to these working assumptions based on an analysis of the changes that occurred during the period.

As part of the annual review of the working assumptions, the company analyzes the changes in data and the company's actual experience, considering the past year (the reality of the new year), and updates the working assumptions after examining their reasonableness and suitability.

Study Results Obtained:

- **In the Health Portfolio (Personal Accident and Critical Illness):** Following the update of the 2024 working assumptions (deterioration in morbidity assumptions for personal accidents alongside improvement in critical illnesses, improvement in cancellation assumptions, and improvement in expenses), there was an increase in the value of the health insurance portfolio originating from the old portfolio (run-off portfolio, long-term policies). However, the portfolio itself decreased during the period (because the population is in run-off).
- **In the Life Insurance Portfolio:** The update of the working assumptions also led to an increase in the portfolio value (accuracy of the cancellation assumption, which improved the results, with no significant change in mortality/morbidity assumptions, improvement in expenses). However, the profit component in new policies is smaller compared to old policies that are exiting the portfolio.

As part of the control process and results review, the company conducts sensitivity analysis based on the working assumptions used to determine the BE and solvency scenarios. This is in addition to data quality checks and comparisons of results with previous periods. The work was submitted for review and examination by the external auditor, and their comments were taken into account.

4. Actuarial Models

a. Modelling changes: There have been no material changes in the modelling methodologies used to calculate the reserves. Additionally, as described in Chapter B, section 1.b, in the intra-annual quarters the Company uses the AvE Model to calculate the reserves. This model is one of the tools and analyses that are used by the actuary to determine the reserve for the quarter.

b. Stochastic modelling: In conformity with the global custom in the AIG Group, the Company applies a stochastic model - the Reserve/Premium Risk Statistical Model (hereafter - “RPS Model”). This model is comprised of three sub-models:

- The Adaptive Reserve Monitoring System (hereafter - “ARMS Model”)
- The Reserve and Premium Risk Model - Coefficient of Variation Model (“CV Model”)

- The Reserve and Premium Risk Model - Aggregation Model ("Aggregation Model")

The RPS Model is a statistical model designed to produce reasonable aggregate estimates of adverse risk or premium risk loss outcomes. Adverse loss outcomes are generated by developing a stochastic model of individual line of business volatilities and their correlation and dependency across the company.

We believe that our model is complete and considers both random variation and systemic risk. The model considers these by modeling three sources of volatility:

- ✓ Diversifying process risk: randomness of future outcomes, given a known distribution of possible outcomes.
- ✓ Parameter risk: Potential error in estimated parameters used to describe the distribution of potential outcomes.
- ✓ Systematic Risk: the risk that calendar year loss trends will change unpredictably in the future.

Reserve risk and premium risk for each analysis segment is simulated. The Coefficient of Variations (standard deviation/mean) for the simulated distributions is derived from the sector analytics previously described.
The BE reserve and expected losses on the unearned premiums are determined by the actuary. Based on the results of the RPS model, a factor was calculated, for each individual sector, to project losses from the mean BE to the 75th percentile level. These form the basis for the statutory reserves of the Company.

Risk management teams of AIG Group run the RPS Model for the Company, after being furnished with all requisite data (triangles, BE results, etc.) As part of the prescribed process of control in AIG, the local teams undergo model operation training and challenge the results of the model together with the risk management teams of AIG Group.

c. Validation of the actuarial models: As described in Chapter B, section 1.a, the AIG peer review of the reserves as at the end of 2023, within the framework of which the actuarial teams in New York examined the reasonability of the Company's reserves, found that the reserves are within the reasonable range of results.

   It should be noted that the peer review for the 4Q24 reserves expected to be completed at 2Q25.

d. Calculations outside the actuarial systems: auxiliary calculations or side calculations are performed to support the actuarial model (on Excel files). Nevertheless, it should be noted that these calculations mainly serve as

   - a complementary analysis to the models embedded in the Apollo system
   - a control over the reasonability/integrity/reliability of the data or the results
   - Results concentration files
   - Other

It should also be noted that most of the studies and actuarial work are performed within the Apollo system.

5. Material Changes in Best Estimate (BE) Results

The following table summarizes the changes in the Best Estimate (BE) between the Solvency II calculations as of 2Q24 and 4Q23:

	BE Gross	BE Net	BE Gross	BE Net	BE Gross	BE Net
Life	-55,039	-51,376	-62,071	-56,524	7,032	5,148
Health - SLT	-97,346	-113,172	-98,368	-107,870	1,023	-5,303
Health - NSLT: Premium	-6,236	-6,236	-4,225	-4,225	-2,011	-2,011
Health - NSLT: Claims Outstanding	40,225	38,098	22,606	22,606	17,619	15,492
Non-Life: Premium	528,322	474,076	473,132	411,696	55,190	62,381
Non-Life: Claims Outstanding	1,601,197	1,007,805	1,475,915	902,324	125,283	105,481
Non-Life - Major Changes						
Auto Property - Premium	311,411	311,411	269,308	269,308	42,103	42,103
Auto Property - Claims Outstaning	158,475	158,475	126,938	126,938	31,537	31,537
Auto BI - Premium	115,070	100,216	101,966	89,006	13,104	11,210
Auto BI - Claims Outstaning	869,887	733,343	796,353	664,486	73,534	68,858
Health NSLT - Major Changes						
Personal Accident: Claims Outstanding	27,943	25,816	13,934	13,934	14,008	11,882

As shown in the table above, the majority of the change originates from the following:

- **Compulsory Motor:** Increase in the provision for outstanding claims and increase in the provision for premium - the change results from the growth/expansion of the portfolio and from the deterioration in claims experience, which led to an increase in provisions.
- **Property Motor:** Increase in the provision for outstanding claims and increase in the provision for premium - the change results from the growth/expansion of the portfolio.
- **Personal Accidents:** Increase in the provision for outstanding claims due to deterioration in claims experience.

6. Analysis of Gaps Between Solvency II BE and IFRS 17 Financial Statement BE

As part of the milestones and regulatory guidelines, the company performed a gap analysis between the BE in the Solvency II calculations and the BE in the IFRS 17 financial statements (this gap analysis was submitted to the regulator). Where:

- Insurance products defined as Non-Life in Solvency II are defined under IFRS 17 as PAA products, and the calculation of the nominal BE is identical.
- Insurance products defined as Life in Solvency II are defined under IFRS 17 as GMM products, and for them, the calculation of the BE is also unchanged.
- However, in Solvency II, there are slightly different classifications for health products (Health SLT and Health NSLT) compared to IFRS 17 (GMM and PAA), resulting in gaps. The following is an analysis of the gaps performed by the company between Solvency II and IFRS 17 as of January 1, 2024.

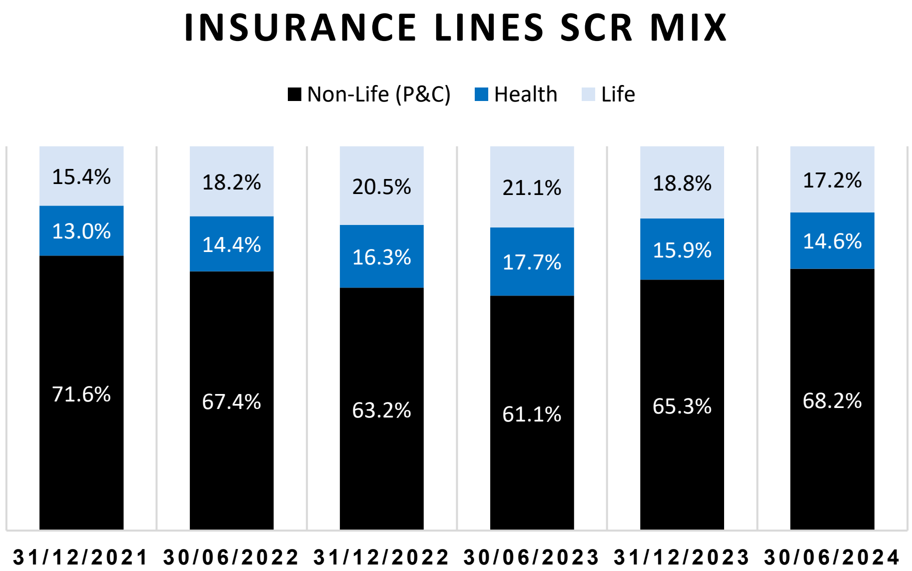
	Policies without a savings component - death coverage insurance	Individual medical expenses and disabilities	Critical illnesses	Personal accidents	Total
Best Estimate (BE) Solvency II, gross	**-57,552**	**-49,016**	**-18,687**	**-55,970**	**-181,225**
Impact of differences in contract boundary definition					**0**
Impact of differences in future cash flow (discounted at Solvency II curve) - for expenses	-24,322	-4,700	-2,686	-8,885	**-40,593**
Impact of differences in future cash flow (discounted at Solvency II curve) - other	550	-8,926	53	-10,413	**-18,737**
Impact of differences in interest rate curves on BE (including VA and illiquidity premium)	-170	849	309	109	**1,097**
Exclusion of investment contracts or other contracts not recognized as insurance contracts under IFRS 17	0	0	0	0	**0**
Other (*)	8,069	-2,291	-7,347	22,110	**20,542**
Estimates of the present value of future cash flows from insurance contracts (BE) IFRS 17, gross	**-73,425**	**-64,084**	**-28,358**	**-53,048**	**-218,916**
(*) Please explain what was reported under the "Other" line	Classification	Classification	Classification	It is required to add BE of personal accidents in the amount of NIS 20.5 million, which is defined in Solvency II in Health NSLT	

AIG

Chapter D – SCR and RM in Reporting Files and Actuarial Calculations

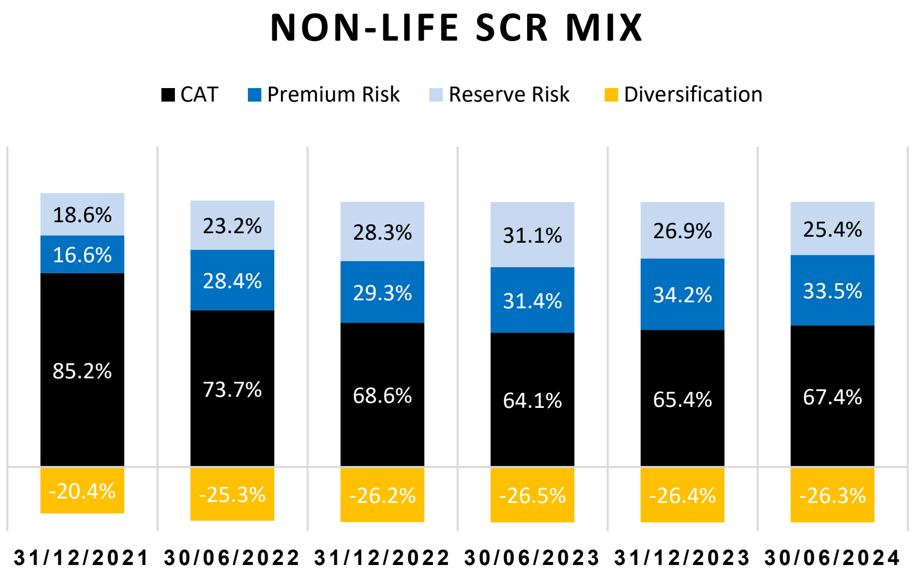
1. **Explanations for Material Changes in SCR Results:**

The following charts describe the capital requirement between the general insurance, life insurance, and health insurance portfolios over the years (based on 100%).



As shown in the chart above, the majority of the capital requirement originates from the general insurance portfolio, where:

- In 2021, the increase in the capital requirement in general insurance resulted from a catastrophe scenario in apartments (due to a significant increase in TSI and an update of the CRESTA regions). See the chart below.
- In the following years the company increased the reinsurance coverage layers for catastrophe risk in Personal Property, so there was a decrease in the capital requirement in general insurance. However, it can be seen that while until June 2023 the trend was downward, from that period there was a slight increase in the capital requirement for catastrophes.
- In the years 2022-2024, due to the Auto book growth there was an increase in the SCR for premium risk, in addition there was an increase in the SCR for reserve Risk sue to the deterioration in Auto BI, see the chart below.
- The capital requirement for health and life insurance portfolios has remained stable in recent years, as detailed in Chapter C section 5. However, the capital requirement composition reveals an increase in the weight of Non-Life products at the expense of life and health products.



2. **Explanations Regarding the Change in Risk Margin (RM):**

   There was an increase in RM in the 2Q24 capital requirement calculation (NIS 180 million) compared to the capital requirement calculation calculated in 4Q23 (NIS 175 million), with the main change originating from the increase in the capital requirement in the non-life insurance lines - the increase in the capital requirement due to the CAT scenario and the increase in the capital requirement resulting from the increase in the reserve and premium provision.

3. **Management Actions Taken into Account:**

   The company's management holds discussions regarding:

   A. Presentation of quarterly results summary - the company's provisions for the various lines.
   B. Quarterly results review (QBR) - a review by the various departments of the quarterly activity.
   C. Discussions in the Insurance Risk Committee (IRC) and the Risk and Capital Committee (RCC), which include a review and examination of:

      - Changes in insurance risks (underwriting, reinsurance, products, etc.) and the company's risk map.
      - Capital requirement calculation results (Israeli and European).
      - Forecasts and studies that may affect the company's capital.

   Management actions that were reflected in the actuarial models in 2024 are:

   - Determining the company's risk appetite (remained unchanged from the previous year).

- The company purchased additional CAT coverage layers in apartment insurance due to the increase in Total Sum Insured (TSI) and its impact on the company's capital ratio.
- Analysis of changes in capital (Israeli Solvency, European).
- The impact of the transition to IFRS 17 and the areas where there is an interface with the company's capital calculation process (Solvency).

Chapter E: Underwriting Policy

The Company's underwriting policy, as a whole, is consistent with previous years and matches the Company's risk appetite. In addition:

- In the commercial sectors (employers' liability, third-party, financial sectors) underwriting actions were implemented, such as reduction of the liability limits, increasing of deductible amounts and application of more stringent underwriting conditions to improve profitability (with emphasis on cyber coverages in the financial sectors).
- In vehicle property insurance, pursuant to the directives of Supervision, it was determined that only claims in excess of NIS 5 thousand will be taken into account in determining the insurance tariff.

Chapter F: Reinsurance

The Company's reinsurance arrangements are consistent with previous years and match the Company's risk appetite. It should be noted that, in recent years the Company has purchased additional layers of CAT coverage in home insurance in view of the increase in the Total Sum Insured (TSI) and its impact on the Company's Solvency Capital Requirement ratio. The increase in the TSI stemmed from:

- The increase in the number of policies
- The changes in indices (Building Cost Index, Consumer Price Index)
- The increase in the average insurance amount
- The change in the composition of the portfolio, which affected the calculation coefficients (CRESTA) in Solvency II.

Furthermore, it is important to note that in recent years, the company has been transferring exposure in commercial property lines to additional external insurers (beyond AIG). These actions contribute to risk management, underwriting, pricing, and portfolio volatility management. It should be noted that the impact of these actions is solely on gross exposure.

Chapter G: Actuarial Department's Contribution to Risk Management and ORSA

The actuarial department collaborates with the risk management division, assisting in the analysis of changes in capital requirements and the identification of underlying factors. The department is responsible for generating cash flows and scenarios used for calculating capital requirements. Additionally, it conducts profitability studies in the health and life sectors to identify pricing gaps and assess their impact on company profitability and capital requirements.

In ORSA (Own Risk and Solvency Assessment) work, the actuarial department contributes to scenario development, determination of working assumptions, and identification of risk factors and their expected impact.

Chapter H: Additional Information on the Actuarial Division Work

1. Key Tasks of the Actuarial Division

The following table summarizes the key tasks of the actuarial Division:

Topics	Description
Product Development	Assisting various product divisions (Auto & Personal Property, Life & Health, Commercial lines) planning, developing, and quantifying the contribution of new products/modification to existing products to company profitability.
Pricing	Developing/updating new pricing models, as well as ongoing monitoring of company results (new sales and renewals), identifying vulnerabilities, and providing recommendations for improving profitability. Additionally, the actuarial department submits tariff change requests to the regulator and is responsible for providing all necessary information to support the request.
Reserves - Reserve Calculation	Updating reserves in response to changes in risk profiles. Reserve calculations are performed at both the local company level (solo, AIG Israel financial statements) and as part of consolidated financial statement preparation – the Development Valuation Report (DVR) process and Actual vs. Expected (AvE) US GAAP calculations. The actuarial division is responsible for communicating quarterly changes in various business lines and their underlying causes to both local management and the board of directors, as well as to parent company management (AIG EMEA/International). The actuarial division utilizes insights gained from reserve calculations to develop action plans and business recommendations for tariff adjustments and profitability improvements in collaboration with pricing teams.
Future Profitability Budgeting	The actuarial division plays a significant role in developing future underwriting profitability budgets (LR) (three-year plan and accurate forecasts for the coming year) by assisting the product divisions in setting growth targets.
Profitability Analysis	The actuarial system works directly with the company's management (locally), the actuarial teams of AIG EMEA, and with product divisions to review and monitoring of company performance against current year budget targets, providing explanations for deviations.
IFRS 17	The actuarial division actively participates with the finance and risk management divisions (and in collaboration with the external auditor) to

	meet the targets, milestones, and exercises set by the regulator for the transition to the new accounting standard (IFRS 17).
Model Development	Developing actuarial models and simulations for profitability analysis, as well as participating in the development of cross-company models (e.g., customer profiling).
Profitability Studies	Conducting inductive profitability analysis studies (auto and home) to identify pricing gaps and assess their impact on company profitability and budget targets. Conducting profitability studies in commercial lines (property, liability, and financial) in collaboration with AIG EMEA specialist actuarial teams to quantify product profitability, identify product strengths and weaknesses, and engage in dialogue with the commercial division to improve profitability and achieve current and future budget targets. Conducting profitability studies in the health and life sectors to identify pricing gaps and assess their impact on company profitability and capital requirements (as part of capital requirement calculations).
Solvency	Supporting the risk management division by generating cash flows and scenarios used for calculating capital requirements. The actuarial department also collaborates with the risk management division to analyze changes in capital requirements and identify underlying factors.
Core System Maintenance (Pricing)	As part of routine operations, the actuarial department updates the company's core systems to maintain pricing models.
Analytics and BI	Conducting analyses of business questions from various divisions and in response to market dynamics (competition), changes in KPIs and business results, claims payment analysis, etc. Developing BI tools to provide company results and various metrics to different divisions.

2. **Deficiencies, Defects, or Existing Limitations and Recommendations for Required Actions for Correction and Updates and Improvements in the Actuarial Department's Work**

When deficiencies or limitations are identified, the actuarial department collaborates with various units within the company to identify their source and develop and recommend corrective action plans.

3. **Reliance on Outsourcing**

The company utilizes an outsourced employee in the actuarial department to calculate the economic value of the life and health portfolios (BE), and preform the SCR scenarios for SLT products. The appointed actuary and risk management team review the results obtained from this work, as well as applying controls for any changes since previous assessments.

It should also be noted that Risk management uses outside consultants for the Solvency II calculation. These consultants assist the Risk Management team in the performance of the capital requirement calculation and in the development of control and testing tools to assure the quality of the calculation.