

AIG Israel Insurance Company Ltd

Interim Financial Report

(Unaudited)

As of September 30, 2022

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Directors' report
AIG Israel Insurance Company Ltd ("the Company")
for the period ended September 30, 2022

The directors' report on the business of the Company as of September 30, 2022 ("**the directors' report**"), reviews the Company and developments in its business in the first three quarters of 2022 ("**the reported period**"). The information in this report is as of September 30, 2022 ("**the date of report**") unless otherwise is indicated explicitly.

The Company is an "insurer" as this term is defined in the Supervision of Financial Services Law (Insurance), 1981 ("**the Supervision Law**"). Therefore, this report is prepared in accordance with the provisions of the Reports to the Public chapter of the Regulation Codex published by the Commissioner of the Capital Markets, Insurance and Savings Authority in the Israel Ministry of Finance ("**the Commissioner of Insurance**", "**the Commissioner**" and "**the Authority**", respectively). This directors' report was prepared assuming that the user is also holding the Company's 2021 periodic report.

The financial information in this report is in reported amounts. All financial information is in thousand NIS unless otherwise is indicated.

The business of the Company is in fields that require considerable professional knowhow that involves many professional terms that are essential for understanding the business of the Company. To present a description of the corporation that is as clear as possible, those professional terms are used along with an explanation, to the extent possible.

This directors' report is an integral part of the interim financial statements, including all its parts and should be read as one unit.

Forward looking information

This chapter in the periodic report, describing the Company, the development of its business and its fields of operations may contain forward-looking information, as this term is defined in the Israel Securities Law, 1968 ("**the Securities Law**"). Forward looking information is uncertain information about the future, based on the information available to the Company on report date and includes the subjective assessment of management based on assumptions and estimates of the Company and/or its intentions as of the date of this report. Providing such information is not a commitment for accuracy or completeness, and actual activity and/or results of the Company may be different than those presented in the forward-looking information presented in this report. It is possible in certain cases to detect passages that contain forward looking information by the use of words such as: "the Company assesses", "the Company believes", "it is the intention of the Company", etc., but it is possible to see such information presented using other language or it may be specifically indicated that as a forward-looking information.



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1. Condensed description of the Company:

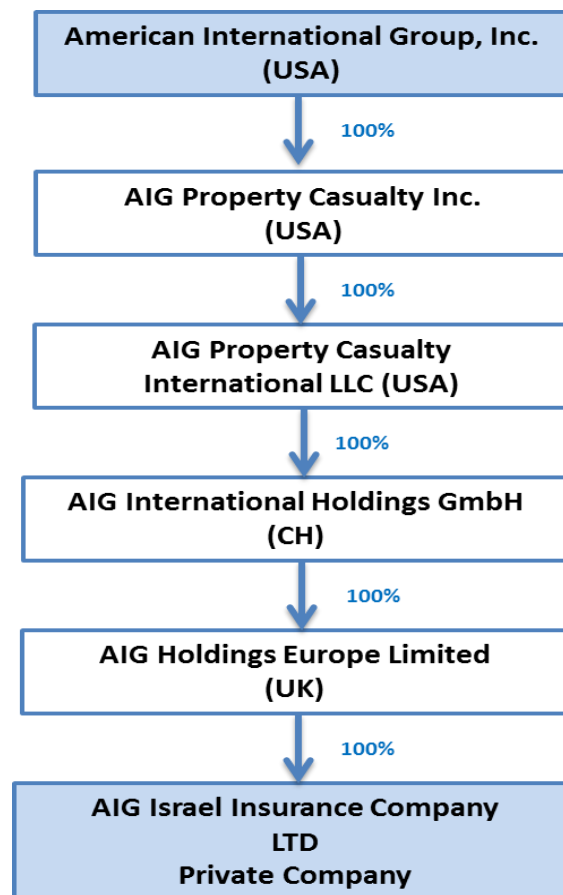
1.1 Organizational structure

AIG Israel Insurance Company Ltd ("**the Company**") was incorporated in Israel on March 27, 1996, as a private limited liability company. The Company began its insurance activity in May 1997. The company does not hold any subsidiaries or related companies. The Company has no activity outside of Israel through branches and associates.

The ultimate parent of the Company is American International Group Inc. (hereinafter: "**the global AIG corporation**", "**AIG**"). The global AIG Corporation is a leading global insurance and financial services corporation, rated BBB+ according to Standard & Poor's (S&P).

The sole shareholder of the Company is AIG Holdings Europe Limited ("**AHEL**"), which holds the entire issued share capital of the Company and which is a company in the global AIG corporation.

The following is the undated holding structure of the Company:





The Company was granted licenses by the Commissioner to practice as an insurer in general insurance and life insurance as follows: motor vehicle insurance, compulsory motor vehicle insurance, comprehensive home insurance, health insurance (personal injury, serious illness, and travel insurance), commercial insurance (property loss, business comprehensive insurance, engineering insurance, employers' liability insurance, third-party liability insurance and product liability insurance), cargo in transit insurance, other risk insurance (limited to crime and fraud damages), comprehensive life insurance, and foreign business insurance for different insurance types.

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

The Company is marketing and selling retail insurance policies directly to customers (without insurance agents) through call centers and digitally. Customers are being serviced mainly through a central service call center. Most business of the Company in commercial insurance, and some of the retail insurance business, is sold through mediation of insurance agents. As a result of the above marketing methods, the organizational structure of the Company is based on activity through a head office in Petach Tikva.

1.2 Areas of activity

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

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

1.3 Extraordinary and material events in the reported period and after the reporting date

The Coronavirus Event

In 2020-2021, a vast spreading of the coronavirus took place in Israel and worldwide (hereinafter: "the Coronavirus Event"), which had severe implications on the local and global economy. For additional information on the effects of the Coronavirus Event in 2020 and 2021 and the related actions taken by the Company, see Section 1 of the Board of Directors' Report attached to the periodic report for 2020 and section 1 of the Board of Directors' Report attached to the periodic report for 2021.

At the beginning of 2022, morbidity rates somewhat increased, with a limited impact as the number of severe cases remained constant. Thereafter morbidity rates dropped.

As of the date of publication of the report, activity in the Israeli economy has almost fully resumed, with no restrictions.



2. Description of business environment:

General

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

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

Developments in the company's macro-economic environment

Measures taken in Israel and worldwide to counter the spreading of the coronavirus had significantly affected GDP and employment in Israel. The impact of these measures on the various sectors of the economy varied. At the beginning of 2022, more lenient means were employed in place of lockdowns against breakouts, including and most notably, restrictions on entry into Israel, the majority of which, as aforementioned, have been lifted.

In February 2022, Russia invaded Ukraine. The war resulted in the imposition of multiple international sanctions on Russia, both by countries and by corporations that discontinued or restricted their operations in Russia. In addition, various restrictions were imposed on the Russian Government, including regarding the use of foreign currency and the realization of Russian assets. This tension and its implications, together with the stringent policy imposed by the Government of China in handling the Coronavirus Event further exacerbated in the reported period the difficulties in the global production and supply chain, increasing the inflationary pressure and leading to a slowdown in the global economic activity.

According to the Bank of Israel's most recent forecast¹, GDP is expected to grow by 6.0% and 3.0% in 2022 and 2023, respectively, while the inflation rate is expected to reach 2.7% in the four quarters ending in the third quarter of 2023, 4.6% in 2022, and 2.5% in 2023.

According to the aforesaid forecast, the unemployment rate is expected to reach 3.1% and 3.5% in 2022 and 2023, respectively.

In the reported period, the Bank of Israel interest rate was raised several times, reaching 2.75% as of the reporting date².

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

¹ The macroeconomic forecast of the Bank of Israel's Research Division from October 3, 2022.

² According to the resolution of the Bank of Israel's Monetary Committee from October 3, 2022.



The following are data on the changes in the indexes of exchange-traded securities (including on the Tel Aviv Stock Exchange Ltd.):

	Jan-Sept. 2022	Jan-Sept. 2021	July-Sept. 2022	July-Sept. 2021	2021
Government bonds indexes					
General government bonds	(8.8%)	0.6%	(2.4%)	0.7%	2.3%
Linked government bonds	(9.1%)	4.2%	(2.5%)	2.4%	7.4%
NIS government bonds	(8.6%)	(1.6%)	(2.3%)	(0.3%)	(0.8%)
Corporate bonds indexes					
Tel Bond 60	(8.0%)	6.5%	(2.2%)	2.5%	7.8%
Tel Bond NIS	(7.1%)	2.1%	(2.2%)	0.2%	3.0%
Share indexes					
Tel-Aviv 125	(8.4%)	18.6%	0%	5.3%	31.1%
S&P 500	(24.8%)	14.7%	(6.3%)	(0.3%)	27.2%

For information regarding the composition of the Company's investments see financial investment asset list in note 6 to the condensed interim financial information. For information on general trends in the insurance sector and their effect on company's business, see Section 4.3 in Chapter A (description of company's business) in the Company's 2021 periodic report.

The impact of new laws, regulations and directives on the business of the Company in the reported period and information in the report

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

Legislation

- In June 2022, the Insurance Contract (Amendment - Home Insurance) Bill, 2022 was submitted to the Knesset (Israeli Parliament). The bill proposes to obligate the insurers to include in home and home contents insurance coverage for the event of collapse of the structure in which the insured apartment is located, and for the event of the structure being designated for demolition or sealing due to its being declared dangerous, all unless the insurer proves that the damage to the structure was caused by the policyholder.
- In June 2022, the Insurance Contract (Amendment - Statute of Limitations and Special Interest) Bill, 2022 was submitted to the Knesset. The bill proposes an amendment to the law and the expansion of the powers of the Commissioner, which would allow the Commissioner to impose special interest on an insurer due to delay in the payment of insurance benefits (this power is currently conferred upon the court) and to extend the statute of limitations where a complaint has been filed with the Commissioner, in order to ensure that the limitations period prescribed by law does not elapse before the end of one year from the submission of a complaint to the Commissioner of the Capital Markets, Insurance and Savings, but will not elapse later than four years from the occurrence of the insurance event, and in the case of life insurance, illness and hospitalization insurance, and long-term care insurance, not more than 6 years.

Circulars

- In August 2022, an amendment was published to the Directives for Financial Information Services Vendors. The amendment further regulates the activity of insurers as financial information services vendors, in accordance with the provisions of the Financial Information Services Law, 2021. The amendment introduces several directives with regard to: (a) the receipt and use of a digitally signed certificate; (2) disclosure in the engagement agreement with the customer; (3) provision of services to the customer; and (4) consideration received from other parties.
- In September 2022, an amendment was published to the provisions of the consolidated circular, “Supervising Actuary and Chief Actuary”. The amendment aims to update the related provisions in order to ensure the actuaries’ ability to properly perform their duties, on the backdrop of the changes in the field, including the obligation of insurance companies to appoint a chief actuary to head the actuarial function and, among others, oversee the work of the supervising actuaries.
- In September 2022, the Supervision of Financial Services (Insurance) (Terms of Basic Health Insurance Contracts) Directives, 2022 were published. The purpose of the aforesaid directives is to significantly improve the ability of policyholders and candidates to compare between the various insurance companies and enhance the competition in the health insurance sector. The directives include a basic health insurance policy that will provide optimal insurance coverage for the policyholder and that will comprise three uniform policies: a policy for transplants and special treatments overseas, a policy for drugs that are not included in the health basket and a policy for surgical procedures and non-surgical alternative treatments overseas. The directives’ cover letter states that their wording has not yet been finalized.
- In September 2022, an amendment was published to the circular concerning “Institution of Services Appendices and Their Marketing”. The amendment is designed to set rules for the institution of service appendices and their marketing, among others, in view of different courses of action that have developed following the coming into effect of the aforesaid circular. The amendment addresses, inter alia, the following: (1) exception of a service appendix that provides medical consulting and guidance at a medical center; (2) an update concerning service appendices in health insurance, in accordance with the provisions of the consolidated circular - Volume 6 Part 3 Chapters 1, 2, 3, 4 and 6 - “Drawing Up a Health Insurance Plan”; (3) an update that allows insurance companies to request the Commissioner not to offer a choice to the service recipient between two service provider where it has been demonstrated that only a single service provider is available; and (4) an update stipulating that a services appendix that includes coverage for medical incidents without the involvement of an insurance company be sold separately from an insurance plan, provided that at least three business days have elapsed from the sale of the insurance plan to the sale of the service appendix. The amendment further determines that the provisions of the circular shall apply to all insurance sectors.
- In September 2022, an amendment was published to the provisions of the consolidated circular - Volume 6 Part 3 Chapters 1, 2, 3, 4 and 6 - “Drawing Up a Health Insurance Plan”. The aforesaid circular defines a basic health insurance policy, the purchase of which is a prerequisite for the purchase of additional health insurance products, and prescribes, inter alia, as follows: (1) a uniform market structure will be established with a uniform policy as the basis on top of which various expansions may be offered within a fixed structure that is set out in the circular; (2) the sale of additional products is conditional upon the existence of a basic insurance policy for the policyholder in any insurance company, and not necessarily with the same insurance company from which the policyholder seeks to purchase the additional health products; (3) imposition of disclosure obligations on the marketing party as part of the sale of a policy for surgical procedures in Israel; (4) prohibition of the sale of duplicate insurance in private health indemnification products; and (5) prohibition of short-term discounts, requiring a fixed discount for a minimum period of ten years. The amendment includes modifications to the aforesaid provisions that are designed to simplify the needs accommodation process performed by the marketer and make it more accessible to the policyholder.
- In September 2022, an amendment was published to the provisions of the consolidated circular - Volume 6 Part 3 Chapter 1 - “Updating of Tariffs in Renewable Health Insurance Policies”. The amendment prescribes and updates the terms under which insurance companies may update the premium without being required to obtain the approval of the Commissioner, this in order to maintain the balance between the need to update the terms and tariffs of the medical expenses insurance policies and the need to preserve and protect the interests of the policyholders.
- In September 2022, an amendment was published to the Supervision of Financial Services (Insurance) (Terms of Surgical Procedures and Non-Surgical Alternative Treatments in Israel Insurance Contracts) Directives, 2022. The amendment determines, inter alia, that an insurer may market an expansion to a surgical insurance policy, subject to the approval of the expansionary policy in accordance with Section 40 of the Supervision Law and on the condition that the discount granted upon the purchase of a policy would

be at a fixed rate for a minimum period of ten years, to make it easier for the insurance candidate to compare the various companies' insurance policies. The aforesaid amendment modifies a number of topics in the standard policy that is prescribed in said directives and adjust the related provisions to those set out in the Supervision of Financial Services (Insurance) (Terms of Basic Health Insurance Contracts) Directives, 2022. The amendment's cover letter states that its wording has not yet been finalized.

- In September 2022, an amendment was published to the circular concerning "Web-Based Interface for the Location of Insurance Products". The purpose of the amendment is to adjust the reporting in the Har-Habituach website to the amendment to the Supervision of Insurance Business (Terms of a Private Car Insurance Contract) (Amendment) Regulations, 2021, to instruct insurance agents as to the function authorized on their behalf to view the information of insurance candidates in Har-Habituach website and to update the report in the compulsory insurance sector, in order to enable the receipt of more detailed information in light of the modifications made to the new standard policy, pursuant to which insurance companies are obligated to enable perusal of the existence of a compulsory insurance policy and material details concerning expansions or limitations of the insurance coverage.
- In September 2022, an amendment was published to the consolidated circular concerning "Acceptance to an Insurance Plan". The amendment determines, inter alia, as follows: (1) acceptance of senior citizens to an insurance plan will be performed by service representatives that have received relevant training for handling the senior population and that will, inter alia, offer the senior citizen to bring in to the acceptance interview any person on their behalf; (2) the process of sale to a senior citizen will be performed in two stages, to ensure that the acceptance to an insurance plan of this population is based on an educated consideration of the need for the insurance product and that the senior citizen understands the details of the product; and (3) rules have been set that provide for an option to determine a default for the policyholder within the framework of the acceptance process.
- In September 2022, an amendment was published to the circular concerning "Confirmation of Existence of an Insurance Policy". The amendment prescribes provisions for the confirmation of an additional type of insurance where there is no prior engagement between the insurance candidate and the insurance company and clarifies that where the format of the insurance confirmation is prescribed by law, the provisions of the circular shall apply, mutatis mutandis and subject to the stated in said law. The amendment also excludes from the scope of the circular instances in which the confirmation is requested by an entity that is not registered in Israel or where the insurance for which the confirmation is sought relates to activity outside Israel.
- In October 2022, a third update was published to the FAQ file concerning the "Implementation and Disclosure of an Economic Solvency Regime in Insurance Companies". After receiving questions and addressing some of the issues that were previously raised in Insurance Circular 2020-1-15, "Amendment to the Consolidated Circular Concerning Provisions for the Implementation of a Solvency-II-Based Economic Solvency Regime in Insurance Companies", the Authority included in the aforesaid update a revised FAQ file.
- In November 2022, an amendment was published to the provisions of the consolidated circular, Volume 6 Part 2 - "Directives in the Compulsory Motor Vehicle Insurance Sector". The amendment stipulates the rate of fees (sum for the coverage of the administrative expenses of an insurance company, agents' commissions and profit) in the compulsory motor vehicle insurance sector, in light of the institution of a mechanism for the settling of accounts in respect of car accident claims between the National Insurance Institute of Israel and the insurance companies pursuant to the amendment of Section 328A of the National Insurance Law [Combined Version], 1995.

Drafts

- In August 2022, a third draft amendment to the provisions of the consolidated circular, Volume 6 Part 2 - "Directives in the Motor Vehicle Property Sector" was published. The draft proposes to update the directives of the Authority that provide for the work procedures between an insurance company and a motor vehicle appraiser, by adopting a model that significantly increases the number of appraisers and garages that meet integrity and professional terms, which will be able to provide services to the policyholders. The draft proposes, among others, the following: (1) to cancel the limited lists of external appraisers and order all insurance companies 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; (2) to set directives that will encourage an increase in the number of agreement garages, which will hereinafter 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.

- In September 2022, a second draft was published of the “Amendment to the Provisions of the Consolidated Circular Concerning Management of Investment Assets - Rules for Investment of the Assets of an Insurance Company”. The draft incorporates proposed amendments to the draft circular concerning “Amendment of the Provisions of the Consolidated Circular - Chapter 4 to Volume 5 - Rules of for Investment of the Assets of an Insurance Company Against Liabilities that Are Not Yield-Dependent - Draft” and to the draft circular concerning “Amendment of Chapter 4 to Part 2 of Volume 5 of the Management of Investment Assets Consolidated Circular - Appendix 5.2.4.14 - Management of Investment Assets of an Insurer that Implements IFRS 17”.
- In September 2022, a second draft update was published in relation to the Roadmap for the Adoption of IFRS 17 - Insurance Contracts, which contains the principal milestones set by the Authority to ensure that insurance companies in Israel prepare for the quality implementation of the new standard in an adequate and reliable manner. The draft proposes a small number of updates in relation to the first update of the Roadmap published in May 2022, including, inter alia, as regarding the adjustment of the disclosure requirements in the financial statements in 2023 to IFRS 17 and IFRS 9, the introduction of a requirement to report to the Authority the results of the company and its financial position in accordance with IFRS 17 and IFRS 9, and an update to the timetable for examining the adequacy of the controls over IT systems and related processes.
- In September 2022, a draft amendment to the provisions of the consolidated circular, Volume 6 Part 2 - “Directives in the Compulsory Motor Vehicle Insurance Sector” was published. The draft aims to update the rate of calculated fees in net insurance fees in the compulsory motor vehicle insurance sector, in light of the institution of a mechanism for the settling of accounts in respect of car accident claims between the National Insurance Institute of Israel and the insurance companies pursuant to the amendment of Section 328A of the National Insurance Law [Combined Version], 1995.
- In October 2022, a draft “Commissioner’s Position - Principles for Recognition of Transactions Aimed at Reducing the Capital Requirements under an Economic Solvency Regime” was published. The draft presents the position of the Commissioner on the requisite principles in implementing the provisions of Mark C, Chapter 3, Part C (Means and Methods for Mitigating Risks) of the appendix to the Economic Solvency Regime in Mark B, Chapter 2 of Part 2 to Volume 5 of the consolidated circular. The draft Commissioner’s position provides guidelines for recognizing transactions for the reduction of capital requirements, including examples that clarify the position.
- In October 2022, a draft amendment was published to the provisions of the consolidated circular – Chapter 3, Part 4, Volume 5, “Reporting to the Commissioner of the Capital Market” - Reporting of Material Transactions Aimed at Reducing the Capital Requirements. The purpose of the draft is to institute a requirement for reporting to the Commissioner complex and material reinsurance transactions, prior to their signing, in a manner that will enable the Commissioner to review the effectiveness of the transfer of the risk to the reinsurer and to verify that the nature of the transaction is properly reflected in the economic solvency ratio calculation model, to ensure the stability and the proper management of the insurance companies.
- In November 2022, a draft amendment was published to the provisions of the consolidated circular in the compulsory insurance sector, Appendix 6.2.2 to Volume 6 Part 2, Insurance Part 2 - “Residual Insurance Tariffs”. The draft proposes to update the net insurance fees in the entity that administrates the compulsory motor vehicle insurance pool (“the Pool”), in light of the institution of a mechanism for the settling of accounts in respect of car accident claims between the National Insurance Institute of Israel and and the Pool and insurance companies pursuant to the amendment of Section 328A of the National Insurance Law [Combined Version], 1995.



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

Following are principal balance sheet data (NIS thousands):

	<u>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2021</u>
Other assets	517,803	361,365	412,469
Deferred acquisition expenses	188,206	177,291	172,527
Financial investments and cash	2,063,913	2,166,863	2,156,085
Reinsurance assets	765,350	807,973	767,609
Total assets	3,535,272	3,513,492	3,508,690
Equity	799,648	915,351	893,126
Liabilities in respect of insurance contracts	2,304,661	2,162,397	2,151,413
Other liabilities	430,963	435,744	464,151
Total equity and liabilities	3,535,272	3,513,492	3,508,690

Following are comprehensive income data (NIS thousands)

	<u>Jan-Sept.</u> <u>2022</u>	<u>Jan-Sept.</u> <u>2021</u>	<u>July-Sept.</u> <u>2022</u>	<u>July-Sept.</u> <u>2021</u>	<u>Jan-</u> <u>December</u> <u>2021</u>
Gross earned premiums	964,647	866,301	339,293	298,474	1,176,114
Premiums earned by reinsurers	(155,896)	(139,846)	(55,339)	(49,234)	(190,246)
Premiums earned in retention	808,751	726,455	283,954	249,240	985,868
Gains (losses) on investments, net and financing income	(83,161)	65,136	(28,093)	19,292	74,039
Income from commissions	40,147	36,950	13,648	12,876	50,378
Total revenue	765,737	828,541	269,509	281,408	1,110,285
Payments and change in liability for insurance contracts, in retention	(655,889)	(511,737)	(220,996)	(194,687)	(737,480)
Total other expenses	(251,048)	(225,744)	(86,035)	(77,101)	(315,876)
Income (loss) before taxes on income	(141,200)	91,060	(37,522)	9,620	56,929
Taxes on income	47,722	(31,690)	13,285	(3,520)	(19,784)
Income (loss) for the period and total comprehensive income (loss) for the period	(93,478)	59,370	(24,237)	6,100	37,145

Capital and capital requirements

As at September 30, 2022, equity amounted to NIS 799.6 million, as compared to NIS 893.1 million as at December 31, 2021. The change in equity in the reported period is due to a comprehensive loss of NIS 93.5 million for the period.

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

Solvency-II-based economic solvency regime in insurance companies

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



Presented below are data concerning solvency ratio and MCR:

Solvency ratio (NIS thousands):

	June 30, 2022	December 31, 2021
Equity for purposes of solvency capital requirement	927,336	979,666
Solvency capital requirement	668,972	766,992
Surplus	258,364	212,674
Economic solvency ratio (%)	139%	128%

The comprehensive loss of the Company in the first nine months of 2022 reduces the equity for purposes of solvency capital requirement. Consequently, the Company is taking steps to reduce the solvency capital requirement. The Company believes that in the coming year it would not be required to raise sources for compliance with the statutory solvency ratio and with the solvency ratio target set by the Board of Directors of the Company.

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

	June 30, 2022	December 31, 2021
Minimum capital requirement (MCR)	217,730	208,716
Equity for purposes of MCR	927,336	979,666

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

	June 30, 2022	December 31, 2021
Equity for purposes of solvency capital requirement	927,336	979,666
Solvency capital requirement	789,818	907,544
Surplus	137,518	72,122
Economic solvency ratio (%)	117%	108%
Surplus (deficiency) in relation to the Board of Directors' target		
Board of Directors' economic solvency ratio target (%)	130%	130%
Surplus - in relation to target	(99,427)	(200,141)

The calculation performed by the Company as at June 30, 2022 has not been audited and has not been reviewed by the Company's auditors. The calculation performed by the Company as at December 31, 2021 was audited by the auditors of the Company, in accordance with ISAE 3400. For additional information on the solvency ratio, see the Company's economic solvency ratio report as at December 31, 2021 posted on the Company's website: <https://www.aig.co.il/about/repayment-ratio>.

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



4. Results of operations

In the reported period, the Company continued to increase the volume of gross premiums, which grew by 11.2% over their volume in the corresponding period. The Company's total gross premiums amounted to NIS 1,055 million in the reported period, as compared to NIS 949 million in the corresponding period in 2021. Most of the increase in gross premiums is in the vehicle property insurance and overseas travel sectors.

Total premiums in retention amounted to NIS 886 million in the reported period, as compared to NIS 788 million in the corresponding period in 2021, an increase of 12.45%. Most of the increase in gross premiums in retention in the reported period is in the vehicle property insurance and overseas travel sectors.

Premiums by principal operating segments (NIS thousands):

Jan-September 2022	Life insurance	Health insurance	General insurance	Total
Gross	116,270	130,777	808,272	1,055,319
In retention	92,492	128,487	664,906	885,885
% of total gross	11.0	12.4	76.6	100.0
% of retention	10.4	14.5	75.1	100.0

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

Jan-December 2021	Life insurance	Health insurance	General insurance	Total
Gross	150,095	143,133	934,631	1,227,859
In retention	120,969	140,416	761,588	1,022,973
% of total gross	12.2	11.7	76.1	100.0
% of retention	11.8	13.7	74.5	100.0

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

	Jan-Sept. 2022	Jan-Sept. 2021	July-Sept. 2022	July-Sept. 2021	Jan-Dec 2021
Income (loss) from compulsory vehicle insurance	7,992	(17,679)	4,833	(6,898)	(48,246)
Income (loss) from vehicle property insurance	(113,048)	9,202	(31,382)	(8,414)	(18,419)
Income from home insurance	4,270	22,633	1,400	5,708	41,244
Income (loss) from health insurance	(5,942)	16,393	(50)	5,625	16,021
Income from life insurance	1,273	16,757	1,475	4,026	16,466
Income (loss) from commercial insurance	(2,856)	10,227	(290)	4,469	13,591
Other - Income (loss) not allocated to any segment	(32,889)	33,709	(13,508)	5,104	36,272
Income (loss) before taxes on income	(141,200)	91,060	(37,522)	9,620	56,929
Taxes on income	47,722	(31,690)	13,285	(3,520)	(19,784)
Income (loss) for the period and total comprehensive income (loss) for the period	(93,478)	59,370	(24,237)	6,100	37,145

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



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

- a. The comprehensive loss of the Company amounted to NIS 93.5 million in the reported period, as compared to a comprehensive income of NIS 59.4 million in the corresponding period in 2021. Pre-tax loss in the reported period amounted to NIS 141.2 million, as compared to profit of NIS 91.1 million in the corresponding period in 2021. The causes of the loss are an underwriting loss of NIS 64.0 million, as compared to an underwriting profit of NIS 23.2 million in the corresponding period in 2021 and investment losses of NIS 83.2 million. The underwriting loss is due mainly to substantial underwriting losses in the vehicle property insurance segment.

The comprehensive loss of the Company in the third quarter was NIS 24.2 million, as compared to comprehensive income of NIS 6.1 million in the corresponding period in 2021. Pre-tax loss totaled NIS 37.5 million, as compared to NIS 9.6 million in the corresponding quarter in 2021. The underwriting loss of the Company in the third quarter of 2022 amounted to NIS 10.3 million, as compared to NIS 10.0 million in the third quarter of 2021. The underwriting loss is due mainly to substantial underwriting losses in the vehicle property insurance segment.

- b. Net investment losses amounted to NIS 83.2 million in the reported period, as compared to investment gains of NIS 65.1 million in the corresponding period in 2021. These losses derived mainly from sharp drops on the local and international financial markets and in particular in the Israeli bonds market, in both government bonds and corporate bonds. (See section 2 above).
- c. The loss of the Company from vehicle property insurance in the reported period was NIS 113.0 million, as compared to profit of NIS 9.2 million in the corresponding period in 2021. The underwriting loss of the Company from vehicle property insurance amounted to NIS 106.1 million in the reported period, as compared to an underwriting profit of NIS 3.1 million in the corresponding period in 2021. The substantial underwriting loss in the reported period is due to a significant increase in the claims' ratio. This increase resulted from a substantial rise in the frequency and severity of car accidents and theft, commencing in the second quarter of 2021. The claims' ratio in the first half of 2021 was still affected by the "Coronavirus Event". As a result, in the reported period the Company increased the provision for premium deficiency by NIS 27 million, to NIS 43 million as of the reporting date. The Company is taking the necessary steps, including the raising of tariffs, to reduce the claims' ratio and resume profitability in this sector.

The Company's loss from vehicle property insurance in the third quarter of 2022 was NIS 31.4 million, as compared to a loss of NIS 8.4 million in the third quarter of 2021. The underwriting loss of the Company from vehicle property insurance in the third quarter of 2022 was NIS 29.3 million, as compared to NIS 11.0 million in the third quarter of 2021. The significant decrease in the underwriting profit was due to the substantial rise in the claims' ratio, as described above.

- d. The profit of the Company from compulsory vehicle insurance amounted to NIS 8.0 million in the reported period, as compared to loss of NIS 17.7 million in the corresponding period in 2021. The transition to profit was due mainly to the increase in the interest curve, which decreased the insurance liabilities by NIS 61.9 million. At the same time, the investment gains decreased by NIS 38 million.

The balance of the provision for premium deficiency as of the reporting date totaled NIS 0.2 million, a decrease of NIS 9.6 million in the reported period. The pool losses, excluding the effect of the interest curve, amounted to NIS 17 million in the reported period, as compared to NIS 14 million in the corresponding period in 2021.

The profit of the Company from compulsory vehicle insurance in the third quarter was NIS 4.8 million, as compared to a loss of NIS 6.9 million in the corresponding period in 2021. The transition to profit was due mainly to the increase in the insurance liabilities as a result of the rise in the interest curve, as stated above.

- e. The profit of the Company from home insurance amounted to NIS 4.3 million in the reported period, as compared to profit of NIS 22.6 million in the corresponding period in 2021. The decrease in profit was due mainly to the decrease in the investment gains and the higher claims' ratio. The underwriting profit of the Company from home insurance amounted to NIS 6.3 million in the reported period, as compared to an underwriting profit of NIS 19.7 million in the corresponding period in 2021. The decrease in the underwriting profit was due to the rise in the claims' ratio.



The profit of the Company from home insurance in the third quarter of 2022 was NIS 1.4 million, as compared to a profit of NIS 5.7 million in the corresponding period in 2021. In the third quarter, the underwriting profit of the Company from home insurance was NIS 2.0 million, as compared to NIS 4.4 million in the corresponding period in 2021. The decrease in the underwriting profit in the third quarter was due to the increase in the claims' ratio and the expenses' ratio.

- f. The loss of the Company from health insurances in the reported period was NIS 5.9 million, as compared to profit of NIS 16.4 million in the corresponding period in 2021. The transition to loss was due to a reduction in the underwriting profit and to a decrease in investment gains. The underwriting loss from health insurance in the reported period was NIS 3.2 million, as compared to a profit of NIS 14.4 million in the corresponding period in 2021. The transition to underwriting loss in the reported period was due to a substantial increase in the claims' ratio in the personal accidents insurance sector.

The loss from health insurance in the third quarter was NIS 0.1 million, as compared to profit of NIS 5.6 million in the corresponding period last year. The transition to loss was due to the reduction in the underwriting profit and a decrease in investment gains. The underwriting loss from health insurance in the third quarter was NIS 0.9 million, as compared to a profit of NIS 4.8 million in the corresponding period in 2021. The decrease in the underwriting profit in the reported period was due to the significant rise in the claims' ratio in the personal accidents sector.

- g. The profit of the Company from life insurance was NIS 1.3 million in the reported period, as compared to profit of NIS 16.6 million in the corresponding period in 2021. The decrease in profit was due mainly to the significant rise in the claims' ratio.

The profit of the Company from life insurance in the third quarter of 2022 was NIS 1.5 million, as compared to profit of NIS 4.0 million in the corresponding period last year. The decrease in profit was due mainly to an increase in the claims' ratio.

- h. The loss of the Company from professional liability insurance in the reported period was NIS 2.0 million, as compared to profit of NIS 8.6 million in the corresponding period in 2021. The transition from profit in the corresponding period of 2021 to loss in the reported period was due to a significant reduction in investment gains.

The loss from professional liability insurance in the third quarter of 2022 was NIS 42 thousand, as compared to a profit of NIS 4.6 million in the corresponding period last year. The decrease in profit was due to the decrease in the investment gains.

- i. The profit of the Company from other property insurance in the reported period was NIS 0.7 million, as compared to profit of NIS 2.1 million in the corresponding period in 2021. The decrease in the profit was due to a reduction in investment gains.

In the third quarter, the profit of the Company from other property insurance was NIS 0.3 million, as compared to a profit of NIS 0.9 million in the corresponding period last year.

- j. The loss of the Company from other liability insurance amounted to NIS 1.5 million in the reported period, as compared to loss of NIS 0.5 million in the corresponding period in 2021. Investment gains decreased by NIS 7.0 million in the reported period compared to the corresponding period in 2021. At the same time, the claims' ratio improved significantly as a result of the reduction in the insurance liabilities.

The loss from other liability insurance in the third quarter of 2022 was NIS 0.6 million, as compared to a loss of NIS 0.9 million in the corresponding period last year.



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

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

	Jan-Sept. 2022	Jan- Sept. 2021	July-Sept. 2022	July-Sept. 2021	Jan-Dec 2021
Vehicle property	(106,110)	3,068	(29,273)	(11,042)	(25,548)
Home	6,298	19,702	2,039	4,039	37,580
Other property sectors	1,198	1,672	460	703	1,723

b. Principal data regarding the claims' ratio³ (Loss Ratio "LR") and the claims' and expenses' ratio (Combined Ratio "CR"):

	Jan-Sept. 2022		Jan- Sept. 2021		Jan-Dec 2021	
	LR%	CR%	LR%	CR%	LR%	CR%
<u>Vehicle property:</u>						
Gross	111%	132%	77%	99%	85%	106%
In retention	111%	132%	77%	99%	85	106%
<u>Property⁴:</u>						
Gross	49%	78%	45%	74%	33%	63%
In retention *	56%	92%	43%	76%	32%	67%

	July-Sept. 2022		July-Sept. 2021	
	LR%	CR%	LR%	CR%
<u>Vehicle property:</u>				
Gross	105%	125%	89%	111%
In retention	105%	125%	89%	111%
<u>Property ²:</u>				
Gross	49%	77%	53%	80%
In retention	51%	90%	60%	60%

5. Cash flows and liquidity

Net cash provided by operating activities in the reported period was NIS 64.0 million, compared to NIS 93.0 million in the corresponding period in 2021.

Net cash used in investing activities in the reported period amounted to NIS 8.2 million, compared to NIS 9.6 million in the corresponding period in 2021.

Net cash used in financing activities amounted to NIS 4.1 million in the reporting period, as compared to NIS 104.0 million in the corresponding period in 2020.

As a result of the above, the balance of cash and cash equivalents in the reported period increased by NIS 51.9 million and amounted to NIS 113.5 million as at September 30, 2022.

³ For the gross data, the claims' ratio and the expenses' ratio are calculated for gross earned premiums. For the data in retention, the claims' ratio and the expenses' ratio are calculated for premiums earned in retention.

⁴ Home and other property sectors.



6. Sources of funding

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

7. Material events after the date of the financial statements

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

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

Controls and procedures applied to disclosure

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

Internal controls over financial reporting

In the course of the quarter ending on September 30, 2022, no change has occurred in the internal control of the public institution over financial reporting that materially affected or is reasonably expected to materially affect the public institution's internal control on financial reporting.

For purposes of this paragraph, "the covered period" is the reported financial quarter.

Management's statements as to the adequacy of the financial data presented in the Company's financial statements and the existence and effectiveness of internal controls relating to the financial statements are attached hereunder.

The Board of Directors wishes to thank the Company's employees and management for their contribution to its business achievements.

Edward Levin
Chairman of the Board of Directors

Yfat Reiter
CEO

November 29, 2022



Declaration

I, Yfat Reiter hereby declare that:

1. I reviewed the interim report of AIG Israel Insurance Company Ltd. (hereafter – "the insurance company") for the quarter ended September 30, 2022 (hereafter – "the report").
2. Based on my knowledge, the report does not include any misstatement of a material fact or omit to disclose a material fact the presentation of which in the report is necessary for the purpose of ensuring that under the circumstances in which those presentations are included, they will not be misleading regarding the period covered by the report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the report reflect fairly, in all material respects, the financial position, results of operations, changes in shareholders' equity and cash flows of the insurance company for the date and periods covered by the report.
4. The Company's other certifying officers and I are responsible for establishing and maintaining controls and procedures relating to disclosure¹ and internal controls over financial reporting of the insurance company; and -
 - (a) Accordingly, we have designed such disclosure controls and procedures, or have had such disclosure controls and procedures established under our charge, designed to ensure that material information relating to the insurance company is made known to us by others in the insurance company particularly during the period in which the reports were prepared;
 - (b) We designed internal controls over financial reporting, or supervised the design of such internal controls designed to provide a reasonable assurance regarding the reliability of the financial reporting and assurance to the effect that the financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and in accordance with the directives of the Supervisor of Insurance.
 - (c) We assessed the effectiveness of controls and procedures regarding the disclosure of the insurance company and presented our conclusions regarding the effectiveness of disclosure controls and procedures as of the end of the period covered in the report, based on our estimate; and
 - (d) We disclosed in the report any change in the insurance company's internal controls over financial reporting which took place in this quarter and had a

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

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

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

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

Yfat Reiter - CEO

November 29, 2022



Declaration

I, David Rothstein hereby declare that:

1. I reviewed the interim report of AIG Israel Insurance Company Ltd. (hereafter – "the insurance company") for the quarter ended September 30, 2022 (hereafter – "the report").
2. Based on my knowledge, the report does not include any misstatement of a material fact or omit to disclose a material fact the presentation of which in the report is necessary for the purpose of ensuring that under the circumstances in which those presentations are included, they will not be misleading regarding the period covered by the report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the report reflect fairly, in all material respects, the financial position, results of operations, changes in shareholders' equity and cash flows of the insurance company for the date and periods covered by the report.
4. The Company's other certifying officers and I are responsible for establishing and maintaining controls and procedures relating to disclosure¹ and internal controls over financial reporting of the insurance company; and -
 - (a) Accordingly, we have designed such disclosure controls and procedures, or have had such disclosure controls and procedures established under our charge, designed to ensure that material information relating to the insurance company is made known to us by others in the insurance company particularly during the period in which the reports were prepared;
 - (b) We designed internal controls over financial reporting, or supervised the design of such internal controls designed to provide a reasonable assurance regarding the reliability of the financial reporting and assurance to the effect that the financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and in accordance with the directives of the Supervisor of Insurance.
 - (c) We assessed the effectiveness of controls and procedures regarding the disclosure of the insurance company and presented our conclusions regarding the effectiveness of disclosure controls and procedures as of the end of the period covered in the report, based on our estimate; and
 - (d) We disclosed in the report any change in the insurance company's internal controls over financial reporting which took place in this quarter and had a

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

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

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

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

David Rothstein - CFO

November 29, 2022



Directors and Management's Report Regarding Internal Controls over Financial Reporting

Management, with the supervision of the Board of Directors of AIG Insurance Company Ltd. (hereafter the "the Insurance Company") are responsible for setting and maintaining effective internal control over financial reporting. The internal controls system of the insurance company was planned in order to provide reasonable assurance to management and Board of Directors to the effect that the financial statements are prepared and presented fairly in accordance with International Financial Reporting Standards and in accordance with the directives of the Supervisor of Insurance.

All internal controls have inherent limitations regardless of the quality of planning. Therefore, even if it is determined that these controls are effective they can only provide a reasonable measure of assurance regarding the preparation and presentation of financial statements.

Management, supervised by the Board of Directors, maintains a comprehensive control system designed to ensure that transactions are carried out in accordance with management's authorization, assets are protected, and accounting records are reliable. In addition, management with the Board of Directors' supervision takes measures in order to ensure that the information and communications channels are effective and monitor implementation, including implementation of the internal control procedures.

The Insurance Company's management with the supervision of its Board of Directors evaluates the effectiveness of the internal control of the Insurance Company over financial reporting as at June 30, 2022, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation management believes that as at September 30, 2022 the internal control of the Insurance Company over financial reporting is effective.

Mr. Edward Levin
Chairman of the Board

Ms. Yfat Reiter
CEO

Mr. David Rothstein
CFO

Date of approval of financial statements: November 29, 2022

AIG Israel Insurance Company Ltd.

**Interim Financial Information
(Unaudited)
As at September 30, 2022**

Interim Financial Information as at September 30, 2022 (Unaudited)

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Auditors' review report to shareholders of AIG Israel Insurance Company Ltd.

Introduction

We have reviewed the attached financial information of AIG Israel Insurance Company Ltd ("the Company"), which is comprised of the condensed statement of financial position as of September 30, 2022 and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the nine- and three-month periods ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the financial information for those interim periods in accordance with the provisions of International Accounting Standard No. 34, 'Interim Financial Reporting' (hereafter "IAS 34"), and they are also responsible for the preparation of the financial information for this interim period in accordance with the disclosure requirements prescribed by the Commissioner of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981. Our responsibility is to express a conclusion with respect to the financial information for those interim periods, based on our review.

Scope of review

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

Conclusion

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

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

Emphasis of a matter

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

Somekh Chaikin
Certified Public Accountants (Isr.)

November 29, 2022

Condensed Interim Statements of Financial Position as at

	September 30, 2022	September 30, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets:			
Intangible assets	22,926	25,054	27,194
Deferred acquisition costs	188,206	177,291	172,527
Property and equipment	22,754	27,211	28,950
Reinsurance assets	765,350	807,973	767,609
Premiums collectible	250,417	211,300	195,749
Current tax assets	128,454	53,228	76,328
Deferred tax assets, net	18,135	-	-
Other receivables	75,117	44,572	84,248
	<u>1,471,359</u>	<u>1,346,629</u>	<u>1,352,605</u>
Financial investments:			
Marketable debt instruments	1,773,938	1,911,503	1,903,047
Non-marketable debt instruments	81,358	72,441	83,086
Other	95,148	107,184	108,370
Total financial investments	<u>1,950,444</u>	<u>2,091,128</u>	<u>2,094,503</u>
Cash and cash equivalents	<u>113,469</u>	<u>75,735</u>	<u>61,582</u>
Total assets	<u><u>3,535,272</u></u>	<u><u>3,513,492</u></u>	<u><u>3,508,690</u></u>

Edward Levin
Chairman of the Board
of Directors

Yfat Reiter
C.E.O

David Rothstein
C.F.O

Date of approval of the interim financial information by the Board of Directors of the Company: November 29, 2022

Condensed Interim Statements of Financial Position as at

	September 30, 2022	September 30, 2021	December 31, 2021
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Equity and liabilities:			
Equity:			
Share capital	6	6	6
Share premium	250,601	250,601	250,601
Capital reserves	15,708	15,708	15,708
Retained earnings	533,333	649,036	626,811
Total equity attributable to the equity holders of the Company	799,648	915,351	893,126
Liabilities:			
Liabilities in respect of insurance contracts and investment contracts that are not yield dependent	2,304,661	2,162,397	2,151,413
Liabilities in respect of deferred taxes, net	-	19,888	16,559
Retirement benefit obligation, net	4,161	5,057	5,261
Liabilities to reinsurers	311,576	308,569	305,590
Other payables	115,226	102,230	136,741
Total liabilities	2,735,624	2,598,141	2,615,564
Total equity and liabilities	3,535,272	3,513,492	3,508,690

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

Condensed Interim Statements of Profit or Loss and Other Comprehensive Income

	9-month period ended September 30		3-month period ended September 30		Year ended December 31,
	2022	2021	2022	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands	NIS thousands	NIS thousands
Gross earned premiums	964,647	866,301	339,293	298,474	1,176,114
Premiums earned by reinsurers	(155,896)	(139,846)	(55,339)	(49,234)	(190,246)
Premiums earned in retention	808,751	726,455	283,954	249,240	985,868
Gains (losses) on investments, net and financing income	(83,161)	65,136	(28,093)	19,292	74,039
Commission income	40,147	36,950	13,648	12,876	50,378
Total income	765,737	828,541	269,509	281,408	1,110,285
Payments and change in liabilities with respect to insurance contracts, gross	(721,137)	(642,051)	(253,099)	(245,121)	(880,135)
Share of the reinsurers in the change in insurance liabilities and in payments for insurance contracts	65,248	130,314	32,103	50,434	142,655
Payments and change in liabilities with respect to insurance contracts, in retention	(655,889)	(511,737)	(220,996)	(194,687)	(737,480)
Commissions, marketing expenses and other acquisition costs	(192,740)	(170,947)	(65,940)	(58,320)	(239,583)
General and administrative expenses	(64,090)	(57,513)	(20,996)	(19,080)	(78,860)
Financing income	5,782	2,716	901	299	2,567
Total expenses	(906,937)	(737,481)	(307,031)	(271,788)	(1,053,356)
Income (loss) before taxes on income	(141,200)	91,060	(37,522)	9,620	56,929
Taxes on income	47,722	(31,690)	13,285	(3,520)	(19,784)
Income (loss) for the period and total comprehensive income (loss) for the period	(93,478)	59,370	(24,237)	6,100	37,145
Basic earnings per share:					
Basic earnings (loss) per share (in NIS thousands)	(16.31)	10.36	(4.23)	1.06	6.48
Number of shares used in calculating basic earnings per share	5,730	5,730	5,730	5,730	5,730

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

Condensed Interim Statements of Changes in Equity

	Share capital	Share premium	Other reserves NIS thousands	Retained earnings	Total
Nine-month period ended September 30, 2022					
Balance as of January 1, 2022 (Audited)	6	250,601	15,708	626,811	893,126
Total comprehensive loss for the period (Unaudited)				(93,478)	(93,478)
Balance as at September 30, 2022 (Unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>533,333</u>	<u>799,648</u>
Nine-month period ended September 30, 2021					
Balance as of January 1, 2021 (Audited)	6	250,601	15,708	689,666	955,981
Total comprehensive income for the period (Unaudited)				59,370	59,370
Dividend				(100,000)	(100,000)
Balance as at September 30, 2021 (Unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>649,036</u>	<u>915,351</u>
Three-month period ended September 30, 2022					
Balance as at July 1, 2022 (unaudited)	6	250,601	15,708	557,570	823,885
Total comprehensive loss for the period (Unaudited)				(24,237)	(24,237)
Balance as at September 30, 2022 (Unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>533,333</u>	<u>799,648</u>

Condensed Interim Statements of Changes in Equity

	Share capital	Share premium	Other reserves	Retained earnings	Total
	NIS thousands				
Three-month period ended September 30, 2021					
Balance as at July 1, 2021 (unaudited)	6	250,601	15,708	742,936	1,009,251
Total comprehensive income for the period (Unaudited)				6,100	6,100
Dividend				(100,000)	(100,000)
Balance as at September 30, 2021 (Unaudited)	6	250,601	15,708	649,036	915,351
Year ended December 31, 2021					
Balance as at January 1, 2021 (audited)	6	250,601	15,708	689,666	955,981
Total comprehensive income the year (Audited)				37,145	37,145
Dividend (Audited)				(100,000)	(100,000)
Balance as of December 31, 2021 (audited)	6	250,601	15,708	626,811	893,126

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

Condensed Interim Statements of Cash Flows

	Nine-month period ended September 30		Three-month period ended September 30		Year ended December 31,
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS	NIS	NIS	NIS	NIS
	thousands	thousands	thousands	thousands	thousands
Cash flows from operating activities:					
Net cash provided by operations (Appendix A)	67,172	144,139	48,850	99,014	76,866
Interest paid	(225)	(307)	(68)	(96)	(396)
Interest received	36,153	44,181	13,350	12,974	54,854
Income taxes paid	(48,860)	(105,034)	(18,331)	(21,747)	(52,350)
Income taxes received	9,730	9,979	-	-	9,979
Net cash provided by operating activities	63,970	92,958	43,801	90,145	88,953
Cash flow from investing activities:					
Acquisition of property and equipment	(912)	(695)	(391)	(91)	(4,860)
Acquisition of intangible assets	(7,276)	(8,891)	(3,175)	(3,468)	(14,511)
Net cash used in investing activities	(8,179)	(9,586)	(3,566)	(3,559)	(19,371)
Cash flow from financing activities:					
Dividend paid to the equity holders of the Company	-	(100,000)	-	(100,000)	(100,000)
Repayment of principal of lease liability	(4,117)	(4,036)	(1,379)	(1,352)	(5,394)
Net cash used in financing activities	(4,117)	(104,036)	(1,379)	(101,352)	(105,394)
Impact of exchange rate fluctuations on cash and cash equivalent balances	213	(1,005)	248	200	(10)
Increase (decrease) in cash and cash equivalents	51,887	(21,669)	39,104	(14,566)	(35,822)
Cash and cash equivalents at beginning of period	61,582	97,404	74,365	90,301	97,404
Cash and cash equivalents at end of period	113,469	75,735	113,469	75,735	61,582

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

Condensed Interim Statements of Cash Flows

	Nine-month period ended September 30		Three-month period ended September 30		Year ended December 31,
	2022	2021	2022	2021	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	NIS	NIS	NIS	NIS	NIS
	thousands	thousands	thousands	thousands	thousands
Appendix A - cash flows from operating activity:					
Income (loss) for the period	(93,478)	59,370	(24,237)	6,100	37,145
Adjustments for:					
Income and expenses not involving cash flows:					
Change in liabilities for insurance contracts that are not yield dependent	153,248	235,753	74,929	98,556	224,769
Change in reinsurance assets	2,259	(88,809)	(18,328)	(32,812)	(48,445)
Change in deferred acquisition costs	(15,679)	(16,662)	(7,017)	(4,752)	(11,898)
Taxes on Income	(47,722)	31,690	(13,285)	3,520	19,784
Change in retirement benefit obligations, net	(1,100)	50	(500)	-	254
Depreciation of property and equipment	7,108	6,813	2,362	2,265	9,239
Amortization of intangible assets	11,535	9,535	3,872	3,333	13,015
Losses (gains), net, on financial investments:					
Marketable debt instruments	104,438	(9,434)	34,686	(8,442)	(7,153)
Non-marketable debt instruments	(405)	8,485	(2,828)	3,581	(2,174)
Marketable ETNs	13,222	(13,402)	6,293	1,613	(14,588)
Impact of fluctuation in exchange rate on cash and cash equivalents	(213)	1,005	(248)	(200)	10
	<u>226,691</u>	<u>165,024</u>	<u>79,936</u>	<u>66,662</u>	<u>182,813</u>
Changes in assets and liabilities:					
Liabilities to reinsurers	5,986	14,508	7,643	14,473	11,529
Investments in financial assets, net	26,804	(47,545)	23,680	50,437	(41,353)
Premiums collectible	(54,668)	(41,181)	(25,692)	(13,587)	(25,630)
Other receivables	9,131	27,791	(1,904)	(92)	(11,885)
Other payables	(17,398)	(22,548)	2,664	(9,690)	13,321
Current tax assets (current tax liabilities), net	32	32,594	42	(2,411)	(34,616)
	<u>(30,113)</u>	<u>(36,381)</u>	<u>6,433</u>	<u>39,130</u>	<u>(88,634)</u>
Adjustments for interest and dividend:					
Interest paid	255	307	68	96	396
Interest received	(36,153)	(44,181)	(13,350)	(12,974)	(54,854)
	<u>(35,928)</u>	<u>(43,874)</u>	<u>(13,282)</u>	<u>(12,878)</u>	<u>(54,458)</u>
Net cash provided by operations	<u>67,172</u>	<u>144,139</u>	<u>48,850</u>	<u>99,014</u>	<u>76,866</u>

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

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

Notes to the Condensed Financial Statements

Note 1 - General**A. Reporting Entity**

AIG Israel Insurance Company Ltd. (hereinafter - "the Company") was incorporated in Israel on March 27, 1996 as a private company in which the shareholders have limited responsibility. The Company commenced its insurance operations in May 1997. The Company does not hold any subsidiaries or related companies. The Company has no foreign operations through branches or investee companies.

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

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

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

B. Definitions:

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

Notes to the Condensed Financial Statements

Note 1 – General (cont'd):

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

In 2020 and 2021, a vast spreading of the coronavirus took place in Israel and worldwide (hereinafter: "the Coronavirus Event"), which had severe implications on the local and global economy. For additional information on the effects of the Coronavirus Event in 2020 and 2021 and the related actions taken by the Company, see section 1(c) in the financial statements for 2020 and section 1(c) in the financial statements for 2021.

In the first half of 2022, morbidity rates somewhat increased but had a limited impact as the number of severe cases remained constant.

As of the date of publication of the report, activity in the Israeli economy has almost fully resumed, with no restrictions.

Note 2 - Basis of Preparation of Financial Statements

A. Statement of compliance

The condensed interim financial statements (hereinafter - "the interim financial information") has been prepared in accordance with the provisions of International Accounting Standard No. 34 - "Interim Financial Reporting" (hereinafter - "IAS 34") and do not include all of the information required for full annual financial statements drawn up in accordance with IFRS, and in accordance with the disclosure requirements of the Supervision Law and the regulations promulgated thereunder. The interim financial information should be read in conjunction with the annual financial statements as at December 31, 2021 and for the year ended on that date (hereinafter - "the annual financial statements of the Company").

The condensed interim financial statements were approved for publication by the Board of Directors of the Company on November 29, 2022.

B. Use of estimates and judgments

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

The significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those applied in the preparation of the annual financial statements of the Company for 2021.

Notes to the Condensed Financial Statements

Note 3 - Significant Accounting Policies

The significant accounting policies and the computational methods applied in the preparation of the interim financial information are consistent with the policies and methods applied in the preparation of the annual financial statements of the Company for 2021.

New Standards Not Yet Adopted**Update to the Roadmap for the Adoption of IFRS 17, “Insurance Contracts” in Israel**

Further to the stated in the Company’s annual financial statements for 2021 concerning the draft “Updated Roadmap for the Adoption of International Financial Reporting Standard No. 17 – Insurance Contracts” published by the Capital Market Authority on January 5, 2022 (hereinafter: “the Draft Roadmap”), on May 23, 2022 and September 19, 2022, the Capital Market Authority published updates to the aforesaid Draft Roadmap (hereinafter: “the Current Roadmap”).

The Current Roadmap maintains the first-implementation date of IFRS 17 in Israel, as prescribed in the Draft Roadmap - which shall take effect starting in the quarterly and annual periods commencing on January 1, 2024 (accordingly, the transition date will be January 1, 2023). Nevertheless, the Current Roadmap contains a few updates in relation to the Draft Roadmap.

According to the Current Roadmap, in 2023, in the financial statements for the second quarter and for the year 2023, the companies will be required to report, in a dedicated note within the financial statements, proforma main statements drawn up in accordance with the provisions of IFRS 17 and IFRS 9 (in the disclosure format that is provided in the appendix to the Current Roadmap), as follows: the financial statements for the second quarter of 2023 will include a disclosure of the proforma balance sheet as at January 1, 2023 (including a separate disclosure of the contractual service margin for each of the operating segments and a disclosure of the balance of the provision for credit losses in the various balance-sheet items), while the annual financial statements for 2023 will include a proforma statement of financial position as at December 31, 2023 and a proforma statement of comprehensive income for the year 2023 (including a separate disclosure of the contractual service margin for each of the operating segments and a disclosure of the balance of the provision for credit losses in the various balance-sheet items, without comparative figures). In addition, the companies will be required to include in the aforesaid note a supplemental qualitative disclosure that addressing, inter alia, the topics that are set forth in the Current Roadmap.

In addition, the Current Roadmap specifies the preparations and the principal timetables that the Capital Market Insurance and Savings Authority believes to be necessary for ensuring that the Insurance companies in Israel are prepared for the proper and reliable high-quality implementation of the Standard, inter alia, as regarding the adaptation of the IT systems, finalizing the accounting policy and preparing for the various requisite reports, the performance of quantitative testing concerning fair value shortly before the transition date, preparation for the calculation of the risk adjustment for non-financial risk, and preparation for the audit by the independent auditors.

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

Notes to the Condensed Financial Statements

Note 4 - Segment Information

The operating segments were determined on the basis of the information examined by the chief operational decision-maker for the purposes of evaluating performance and deciding upon the allocation of resources.

The Company operates in the following operating segments: general insurance, health insurance and life insurance, as set out below. Activities that are not attributed to the segments includes the equity, the non-insurance liabilities and their covering assets.

A. Life insurance segment

The life insurance segment provides cover for life insurance risk only as well as coverage of other risks such as disability, occupational disability and other health related services

B. Health insurance segment

All the Company's health insurance operations are concentrated within this segment. The segment provides personal accident cover, severe illness cover and foreign travel cover.

C. General insurance segment

The general insurance segment encompasses the property and liability sectors. In accordance with the directives of the Commissioner of Insurance, the segment is divided into the following sectors: the compulsory motor vehicle sector, the motor vehicle property sector, the home insurance sector, other property sectors, other liability sectors, and the professional liability sector.

- **Compulsory motor vehicle sector**

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

- **Motor vehicle property sector**

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

- **Home insurance sector**

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

- **Professional liability sector**

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

- **Other property sectors**

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

- **Other liability sectors**

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

Notes to the Condensed Financial Statements

Note 4 - Segment Information (cont'd)

9-month period ended September 30, 2022 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
			NIS thousands	
				Total
Gross earned premiums	117,336	126,922	720,389	964,647
Premiums earned by reinsurers	(23,774)	(2,290)	(129,832)	(155,896)
Premiums earned in retention	93,562	124,632	590,557	808,751
Gains (losses) on investments, net, and financing income	5	(2,723)	(43,626)	(36,817)
Commission income	6,423	340	33,384	40,147
Total income	99,990	122,249	580,315	765,737
Payments and change in liabilities with respect to insurance contracts, gross	(72,718)	(82,662)	(565,757)	(721,137)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	19,184	2,164	43,900	65,248
Payments and change in liabilities with respect to insurance contracts, in retention	(53,534)	(80,498)	(521,857)	(655,889)
Commissions and other acquisition costs	(31,454)	(32,546)	(128,740)	(192,740)
General and administrative expenses	(13,729)	(15,147)	(35,214)	(64,090)
Financing income, net	-	-	1,854	3,928
Total comprehensive income (loss) before taxes on income	1,273	(5,942)	(103,642)	(32,889)
Liabilities for insurance contracts, gross, as at September 30, 2022	84,948	103,532	2,116,181	2,304,661
9-month period ended September 30, 2021 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
			NIS thousands	
				Total
Gross earned premiums	112,476	103,563	650,262	866,301
Premiums earned by reinsurers	(21,851)	(2,012)	(115,983)	(139,846)
Premiums earned in retention	90,625	101,551	534,279	726,455
Gains on investments, net, and financing income	-	1,993	31,373	31,770
Commission income	5,422	242	31,286	36,950
Total income	96,047	103,938	596,938	828,541
Payments and change in liabilities with respect to insurance contracts, gross	(49,491)	(53,604)	(538,956)	(642,051)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	10,902	1,730	117,682	130,314
Payments and change in liabilities with respect to insurance contracts, in retention	(38,589)	(51,874)	(421,274)	(511,737)
Commissions and other acquisition costs	(28,578)	(23,172)	(119,197)	(107,947)
General and administrative expenses	(12,305)	(12,347)	(32,861)	(57,513)
Financing income, net	-	-	777	1,939
Total comprehensive income before taxes on income	16,575	16,393	24,383	33,709
Liabilities for insurance contracts, gross, as at September 30, 2021	64,664	81,330	2,016,403	2,162,397

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

Notes to the Condensed Financial Statements

Note 4 - Segment Information (cont'd)

3-month period ended September 30, 2022 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
	NIS thousands			Total
Gross earned premiums	39,674	48,774	250,845	339,293
Premiums earned by reinsurers	(7,990)	(825)	(46,524)	(55,339)
Premiums earned in retention	31,684	47,949	204,321	283,954
Gains (losses) on investments, net, and financing income	5	(906)	(13,394)	(13,798)
Commission income	2,207	131	11,310	13,648
Total income	33,896	47,174	202,237	(13,798)
Payments and change in liabilities with respect to insurance contracts, gross	(23,931)	(29,880)	(199,288)	(253,099)
Share of reinsurers in change in insurance liabilities and payments with respect to insurance contracts	6,129	350	25,624	32,103
Payments and change in liabilities with respect to insurance contracts, in retention	(17,802)	(29,530)	(173,664)	(220,996)
Commissions, marketing expenses and other acquisition costs	(10,123)	(12,539)	(43,278)	(65,940)
General and administrative expenses	(4,496)	(5,155)	(11,345)	(20,996)
Financing income, net	-	-	611	290
Total comprehensive income (loss) before taxes on income	1,475	(50)	(25,439)	(13,508)
3-month period ended September 30, 2021 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
	NIS thousands			Total
Gross earned premiums	37,476	37,573	223,425	298,474
Premiums earned by reinsurers	(7,228)	(686)	(41,320)	(49,234)
Premiums earned in retention	30,248	36,887	182,105	249,240
Gains on investments, net, and financing income	-	874	13,201	5,217
Commission income	1,863	83	10,930	12,876
Total income	32,111	37,844	206,236	5,217
Payments and change in liabilities with respect to insurance contracts, gross	(19,067)	(20,492)	(205,562)	(245,121)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	4,173	629	45,632	50,434
Payments and change in liabilities with respect to insurance contracts, in retention	(14,894)	(19,863)	(159,930)	(194,687)
Commissions and other acquisition costs	(9,109)	(8,259)	(40,952)	(58,320)
General and administrative expenses	(4,082)	(4,097)	(10,901)	(19,080)
Financing income (expenses), net	-	-	412	(113)
Total comprehensive income (loss) before taxes on income	4,026	5,625	(5,135)	5,104

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

Notes to the Condensed Financial Statements

Note 4 - Segment Information (cont'd)

	Year ended December 31, 2021 (audited)				Total
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	
	NIS thousands				
Gross earned premiums	149,881	141,832	844,401		1,176,114
Premiums earned by reinsurers	(29,128)	(2,717)	(158,401)		(190,246)
Premiums earned in retention	120,753	139,115	726,000		985,868
Gains on investments, net and financing income	-	2,363	36,676	35,000	74,039
Commission income	7,337	331	42,710		50,378
Total income	128,090	141,809	805,386	35,000	1,110,285
Payments and change in liabilities with respect to insurance contracts, gross	(73,306)	(76,042)	(730,787)		(880,135)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	17,149	1,512	123,994		142,655
Payments and change in liabilities with respect to insurance contracts, in retention	(56,157)	(74,530)	(606,793)		(737,480)
Commissions and other acquisition costs	(38,368)	(32,569)	(168,649)		(239,583)
General and administrative expenses	(17,099)	(18,689)	(43,072)		(78,860)
Financing income, net	-	-	1,295	1,272	2,567
Total comprehensive income (loss) before taxes on income	16,466	16,021	(11,830)	36,272	56,929
Liabilities for insurance contracts, gross, as at December 31, 2021	72,095	83,221	1,996,097		2,151,413

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

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

Additional information relating to general insurance segment:

	9-month period ended September 30, 2022 (unaudited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS thousands						
Gross premiums	177,806	381,820	112,125	81,764	33,551	21,206	808,272
Reinsurance premiums	(2,408)	-	(13,746)	(75,519)	(33,107)	(18,586)	(143,366)
Premiums in retention	175,398	381,820	98,379	6,245	444	2,620	664,906
Change in balance of unearned premiums, in retention	(17,989)	(48,454)	(7,381)	(269)	3	(259)	(74,349)
Premiums earned in retention	157,409	333,366	90,998	5,976	447	2,361	590,557
Losses on investments, net, and financing income	(22,812)	(7,924)	(2,875)	(5,474)	(500)	(4,041)	(43,626)
Commission income	-	-	766	22,810	5,779	4,029	33,384
Total income	134,597	325,442	88,889	23,312	5,726	2,349	580,315
Payments and change in liabilities with respect to insurance contracts, gross	(96,082)	(371,687)	(52,290)	(31,511)	(12,194)	(1,993)	(565,757)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	2,642	-	1,499	25,866	11,398	2,495	43,300
Payments and change in liabilities with respect to insurance contracts, in retention	(93,440)	(371,687)	(50,791)	(5,645)	(796)	502	(521,857)
Commissions and other acquisition costs	(23,430)	(53,397)	(24,833)	(18,914)	(3,973)	(4,193)	(128,740)
General and administrative expenses	(9,735)	(14,392)	(9,842)	(802)	(259)	(184)	(35,214)
Financing income, net	-	986	847	17	-	4	1,854
Total expenses	(126,605)	(438,490)	(84,619)	(25,344)	(5,028)	(3,871)	(683,957)
Total comprehensive income (loss) before taxes on income	7,992	(113,048)	4,270	(2,032)	698	(1,522)	(103,642)
Liabilities for insurance contracts, gross, as at September 30, 2022	932,498	418,789	117,972	325,272	96,562	225,088	2,116,181
Liabilities for insurance contracts, in retention, as of September 30, 2022	765,510	418,789	112,613	39,400	2,138	36,986	1,375,436

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

** Other liability sectors reflect mainly the results of the third-party insurance sector, which accounts for 47% of the total premiums attributable to these sectors.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

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

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

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

** Other liability sectors reflect mainly the results of the third-party insurance sector, which accounts for 46% of the total premiums attributable to these sectors.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

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

	3-month period ended September 30, 2022 (unaudited)					
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors*
	NIS thousands					
						Total
Gross premiums	60,663	133,391	39,906	21,222	12,909	284,547
Reinsurance premiums	(820)	-	(5,284)	(28,995)	(12,839)	(53,472)
Premiums in retention	59,843	133,391	34,622	2,227	70	231,075
Change in balance of unearned premiums, in retention	(6,035)	(16,788)	(4,078)	201	(5)	(26,754)
Premiums earned in retention	53,808	116,603	30,544	2,428	65	204,321
Losses on investments, net, and financing income	(7,110)	(2,412)	(939)	(1,673)	(143)	(13,394)
Commission income	-	-	265	7,660	1,976	11,310
Total income	46,689	114,191	29,870	8,415	1,898	202,237
Payments and change in liabilities with respect to insurance contracts, gross	(40,046)	(122,994)	(17,885)	(12,804)	(4,040)	(199,288)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	8,801	-	758	10,993	3,770	25,624
Payments and change in liabilities with respect to insurance contracts, in retention	(31,245)	(122,994)	(17,127)	(1,811)	(270)	(173,664)
Commissions and other acquisition costs	(7,551)	(18,254)	(8,423)	(6,377)	(1,222)	(43,278)
General and administrative expenses	(3,069)	(4,628)	(3,220)	(276)	(89)	(11,345)
Financing income, net	-	303	300	7	-	611
Total expenses	(41,865)	(145,573)	(28,470)	(8,457)	(1,581)	(227,676)
Total comprehensive income (loss) before taxes on income	4,833	(31,382)	1,400	(42)	317	(25,439)

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

** Other liability sectors reflect mainly the results of the third-party insurance sector, which accounts for 37% of the total premiums attributable to these sectors.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

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

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

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

** Other liability sectors reflect mainly the results of the third-party insurance sector, which accounts for 40% of the total premiums attributable to these sectors.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

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

	Year ended December 31, 2021 (audited)						
	Compulsory Motor Vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS thousands						
Gross premiums	209,874	421,221	135,374	103,219	37,953	26,990	934,631
Reinsurance premiums	(2,878)	-	(13,928)	(94,802)	(37,853)	(23,582)	(173,043)
Premiums in retention	206,996	421,221	121,446	8,417	100	3,408	761,588
Change in balance of unearned premiums, in retention	(7,822)	(24,169)	(2,872)	(649)	(13)	(63)	(35,588)
Premiums earned in retention	199,174	397,052	118,574	7,768	87	3,345	726,000
Gains on investments, net, and financing income	17,931	6,472	3,045	5,328	456	3,444	36,676
Commission income	-	-	1,336	27,964	7,028	6,328	42,710
Total income	217,105	403,524	122,955	41,060	7,625	13,117	805,386
Payments and change in liabilities with respect to insurance contracts, gross	(258,961)	(336,699)	(367,901)	(45,570)	(15,557)	(36,099)	(730,787)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	38,125	-	652	40,987	15,090	29,140	123,994
Payments and change in liabilities with respect to insurance contracts, in retention	(220,836)	(336,699)	(37,249)	(4,583)	(467)	(6,595)	(606,793)
Commissions, marketing expenses and other acquisition costs	(32,635)	(68,565)	(32,726)	(24,209)	(4,670)	(5,841)	(168,646)
General and administrative expenses	(11,880)	(17,336)	(12,355)	(972)	(309)	(220)	(43,072)
Financing income	-	657	619	15	-	4	1,295
Total expenses	(265,351)	(421,943)	(81,711)	(29,749)	(5,446)	(13,016)	(817,216)
Total comprehensive income (loss) before taxes on income	(48,246)	(18,419)	41,244	11,311	2,179	101	(11,830)
Liabilities for insurance contracts, gross, as at December 31, 2021	935,152	310,885	105,762	307,820	93,934	242,544	1,996,097
Liabilities with respect to insurance contracts, in retention, as at December 31, 2021	757,093	310,885	100,519	36,673	2,032	41,207	1,248,409

* Other property sectors reflect mainly the results of the property loss insurance sector, which accounts for 99% of the total premiums attributable to these sectors. Other liability sectors reflect mainly the results of the third-party insurance sector, which accounts for 45% of the total premiums attributable to these sectors.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

4.1 Additional information relating to life insurance segment:

9-month period ended September 30, 2022 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	116,270
Payments and change in liabilities with respect to insurance contracts, gross	72,718

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

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

3-month period ended September 30, 2022 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	39,464
Payments and change in liabilities with respect to insurance contracts, gross	23,931

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

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

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

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

Year ended December 31, 2021 (audited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	150,095
Payments and change in liabilities with respect to insurance contracts, gross	73,306

4.2 Additional information relating to healthcare segment:

9-month period ended September 30, 2022 (unaudited):

	Long-term NIS thousands	Short-term NIS thousands	Total NIS thousands
Gross premiums	94,914	35,863	130,777
Payments and change in liabilities with respect to insurance contracts, gross	64,248	18,414	82,662

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

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

* Consists primarily of policies issued to individuals.

3-month period ended September 30, 2022 (unaudited):

	Long-term NIS thousands	Short-term NIS thousands	Total NIS thousands
Gross premiums	32,182	18,144	50,326
Payments and change in liabilities with respect to insurance contracts, gross	24,936	4,944	29,880

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

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

* Consists primarily of policies issued to individuals.

Notes to the Condensed Interim Financial Statements

Note 4 - Segment Information (cont'd)

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

Year ended December 31, 2021 (audited):

	Long-term NIS thousands	Short-term NIS thousands	Total NIS thousands
Gross premiums	126,898	16,235	* 143,133
Payments and change in liabilities with respect to insurance contracts, gross	67,841	8,201	76,042

* Consists primarily of policies issued to individuals.

Note 5 - Shareholders' Equity and Capital Requirements

A. Capital management and requirements

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

B. Solvency II-based economic solvency regime

1. On June 1, 2017, the Commissioner issued a circular on the provisions for implementing a Solvency II-based regime. The provisions of the circular are mostly based on the quantitative tier of the related European directive, adjusted for the Israeli market.
2. On July 7, 2019, the Company received the Commissioner's approval of the audit of the capital ratio report that it had submitted pursuant to the guidelines, and is therefore no longer subject to the old Capital Regulations concerning the "minimum capital required" and now fully follows an economic solvency ratio regime.
3. The directives of the Commissioner prescribe, inter alia, transitional provisions that allow the gradual deployment of the capital requirements until December 31, 2024.
4. According to the Commissioner's guidelines from October 1, 2017 concerning dividend distributions, an insurance company that distributes a dividend is required to deliver to the Commissioner, within 20 business days of the date of distribution, all of the following:
 - An annual profit forecast for the two years following the dividend distribution date;
 - An updated debt service plan of the insurance company approved by the Company's Board of Directors, as well as an updated debt service plan of the holding company that holds the insurance company that was approved by the board of directors of the holding company;
 - An updated capital management plan approved by the Board of Directors of the insurance company, which also includes extensive reference to meeting the repayment ratio target set by the Board of Directors over time;
 - A copy of the minutes of the Board of Directors of the insurance company in which the distribution of the dividend was approved, together with the background material for the discussion.

Notes to the Condensed Interim Financial Statements

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

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

5. According to the solvency ratio report as at June 30, 2022 and December 31, 2021, the Company has surplus capital independent of the transitional provisions. See disclosure in Section 3 of the Directors' Report (Solvency II-Based Economic Solvency Regime in Insurance Companies).

The calculation performed by the Company as at June 30, 2022 has not been audited and has not been reviewed by the auditors of the Company. The calculation performed by the Company, as above, as at December 31m 2021 has been audited by the independent auditors of the Company in accordance with ISAE 3400 – The Examination of Prospective Financial Information. This standard applies to the review of the Solvency calculations and is not part of the auditing standards that apply to financial statements.

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

Note 6 - Financial Instruments and Financial Risks

A. Fair value hierarchy:

The various levels of fair value are determined as follows:

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

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

Pursuant to the aforesaid, during the 9 months ended September 30, 2021, no fair value amounts in respect of financial assets were transferred into or out of the various levels of the hierarchy.

B. The fair value of financial assets and financial liabilities

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

Notes to the Condensed Interim Financial Statements

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

C. Composition of financial investments:

September 30, 2022 (unaudited)			
	Measured at fair value through profit or loss NIS thousands	Loans and receivables NIS thousands	Total NIS thousands
Marketable debt instruments (1)	1,773,938	-	1,773,938
Non-marketable debt instruments (2)	-	81,358	81,358
Other (3)	95,148	-	95,148
Total	1,869,086	81,358	1,950,444

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

December 31, 2021 (audited)			
	Measured at fair value through profit or loss NIS thousands	Loans and Receivables NIS thousands	Total NIS thousands
Marketable debt instruments (1)	1,903,047	-	1,903,047
Non-marketable debt instruments (2)	-	83,086	83,086
Other (3)	108,370	-	108,370
Total	2,011,417	83,086	2,094,503

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

September 30, 2022 (Unaudited)	
Carrying amount NIS thousands	Amortized Cost NIS thousands
Government bonds	540,996
Other debt assets:	
other non-convertible debt assets	1,232,942
Total marketable debt assets	1,773,938

Notes to the Condensed Interim Financial Statements

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

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

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

	September 30, 2021	
	(Unaudited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	665,027	625,939
<u>Other debt assets:</u>		
other non-convertible debt assets	1,246,476	1,207,067
Total marketable debt assets	1,911,503	1,833,006

	December 31, 2021	
	(Audited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	651,762	625,068
<u>Other debt assets:</u>		
other non-convertible debt assets	1,251,285	1,211,385
Total marketable debt assets	1,903,047	1,836,453

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

	September 30, 2022	
	(Unaudited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	684	769
Other non-convertible debt assets	80,674	80,641
Total non-marketable debt assets	81,358	81,410

	September 30, 2021	
	(Unaudited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	784	946
Other non-convertible debt assets	71,657	71,964
Total non-marketable debt assets	72,441	72,910

Notes to the Condensed Interim Financial Statements

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

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

(2) Composition of non-marketable debt instruments (cont'd):

	December 31, 2021 (Audited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	798	967
Other non-convertible debt assets	82,288	82,686
Total non-marketable debt assets	83,086	83,653

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

	September 30, 2022 (Unaudited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	95,148	95,837

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

	December 31, 2021 (Audited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	108,370	95,837

Notes to the Condensed Interim Financial Statements

Note 7 - Contingent Liabilities

There is a general exposure which cannot be evaluated or quantified resulting, inter alia, from the complexity of the services provided by the Company to its policy holders and the frequent changes in regulation. The complexity of these arrangements embodies, inter alia, the potential for arguments pertaining to a long series of commercial and regulatory conditions. It is impossible to anticipate in advance the types of arguments that might be raised in this field, and the exposure resulting from these and other contentions.

In addition, there is a general exposure due to complaints that are filed from time to time with various authorities, such as Supervision, concerning the rights of policy holders under insurance policies and/or the law. These complaints are handled on a current basis by those functions in the Company that oversee customer concerns. The rulings of the authorities on such complaints, to the extent that any ruling is made, are often given across the board. Additionally, in some cases the complaining parties even threaten to initiate legal proceedings in relation to their complaints, including in the form of a petition for certification a class action. At such preliminary stage, the development of such proceedings cannot be assessed and at any rate the potential exposure in their regard or the very initiation of such proceedings cannot be estimated. Accordingly, no provision was created for said exposure.

In the opinion of management of the Company, as to the chances of such proceedings, which is based on the opinion of its legal counsel, the provisions included in the financial statements, where necessary, are sufficient to cover damages from such claims. For proceedings that are at a preliminary stage and their chances cannot be estimated, no provision was included in the financial statements. If compromise is a possibility in any such proceedings, a provision was included in the amount of the potential compromise. The provision included in the financial statements is in an immaterial amount.

A. Motions to certify class actions

1. On June 9, 2016, a motion for certification of a class action was filed against the Company, alleging that the Company did not pay salary and statutory employee benefits as legally required. The class action seeks a total of NIS 9,769 thousand.

The response of the Company to the motion to certify the claim as class action was filed on January 1, 2017. The plaintiffs filed a response on their behalf to the Company response dated June 1, 2017. Concurrently, the plaintiffs filed a motion for discovery of documents. On October 1, 2017, the Company filed its response to the motion for discovery.

A first pretrial hearing on the case was held on February 12, 2018. On July 15, 2018, a ruling was given for the stay of proceedings pending a ruling in an appeal that had been submitted to the High Court of Justice in relation to the ruling of the National Court in another case (HCJ Case 5148/18 Or Shacham et al. - National Labor Court and Castro Model Ltd. Hereinafter: "the Castro HCJ Case") concerning overtime.

A hearing in the Castro HCJ Case was held on November 25, 2020. On July 11, 2022 a ruling was given in the Castro HCJ Case, determining that it is permissible to certify a class action for the payment of overtime on commissions or incentives. It further ruled 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 the Castro HCJ Case.

A motion to renew the proceedings in the case has not yet been filed.

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

Notes to the Condensed Interim Financial Statements

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

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

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

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

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

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

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.

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

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

On April 26, 2022, the respondents submitted a notification, pursuant to which, on April 25, 2022, an appeal was filed with the Supreme Court regarding the Central District Court's ruling in the Litvinov Matter.

Notes to the Condensed Interim Financial Statements

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

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

2. (cont'd)

On September 7, 2022, the petitioners submitted an update notice, pursuant to which a Supreme Court hearing of the appeal in the Litvinov Matter has been scheduled for April 19, 2023. Consequently, the Court has been requested and has instructed accordingly to schedule a reminder for May 1, 2023, by which an appropriate update notice on the case is to be submitted.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, the petition to certify the claim as a class action is more likely to be rejected than accepted.

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

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

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

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

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

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

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

On September 7, 2022 a pretrial hearing was held, in which the parties were required to submit their summations as follows: the petitioner will submit his summations by November 15, 2022; the respondent will submit its summations by January 15, 2023; the petitioner will submit response summations by February 5, 2023.

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

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

Notes to the Condensed Interim Financial Statements

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

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

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

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

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

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

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

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

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which the petitioners in this claim and in claim 6 below will jointly deliberate the claim against all of the defendants that they have named and that were also named in claim 5 below concerning vehicle insurance policies. Additionally, claim 5 below, together with the accompanying motion to certify, is dismissed in relation to the vehicle insurance policies, other than in relation to defendant 13 - Libra Insurance Company Ltd. (which has not been named in this claim and in claim 6 below). Additionally, it has been determined that the plaintiff in claim 5 below may continue to pursue his claim concerning home contents insurance against all of the defendants that are named in his statement of claim.

Notes to the Condensed Interim Financial Statements

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

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

4. (cont'd)

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

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 stay of proceedings in the case.

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

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

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

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

A pretrial hearing in all cases has been scheduled for January 3, 2023.

The submission of the petitioners' response to the response of the respondents has been extended until December 1, 2022.

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

5. On April 19, 2020, a petition to certify a class action was filed against the Company and 12 other companies (hereinafter: "the respondents"). The petition alleges that the insurance companies continue to charge full payments and/or fail to refund monies to policy holders in vehicle insurance (compulsory, comprehensive and third party) and in home contents insurance, despite the reduced risk in each of said policies as a result of the global coronavirus crisis. The remedies requested are: requiring the respondents to refund the premiums that they had charged due to the reduction in risk; and ordering the respondents to provide to the petitioners all the data and information that they hold, for the purpose of calculating the exact damage and obtaining appropriate compensation accordingly. The total amount claimed for all class members in relation to the Company is estimated at NIS 35,194 thousand.

Notes to the Condensed Interim Financial Statements

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

On April 26, 2020, it was ruled that, prima facie, there is no justification for the filing of a single action against all defendants, even where the cause of claim is identical and/or similar. Accordingly, the petitioners are required to explain, by May 11, 2020, their reasons for not filing separate claims against each of the defendants. On May 7, 2020, the petitioners submitted their response to the court's question concerning the filing of separate certification petitions against each of the respondents. On May 12, 2020, the court ruled that the matter will be discussed at the pre-trial hearing.

On May 20, 2020, the petitioners in claim no. 4 above and in claim no. 6 below filed a motion for the change of venue in accordance with the provisions of Section 7(A) of the Class Actions Law, 2006. Error! Reference source not found. Error! Reference source not found. On June 3, 2020, the respondents submitted their response to the motion. On June 4, 2020, the court accepted the motion, transferring the case to the Tel Aviv Court, where this petition is now deliberated.

On June 22, 2020, the petitioners in claim no. 9 above and in claim no. 11 below filed a motion to withdraw. On July 21, 2020, the petitioners submitted a notification of their consent to a mediation proceeding.

Notes to the Condensed Interim Financial Statements

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

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

5. (cont'd)

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

On August 3, 2020, the respondents informed the court of their objection to the mediation proceeding.

On August 12, 2020, the petitioners in claim no. 4 above and in claim no. 6 below submitted their response to the responses to the motion.

On October 12, 2020, the court issued a ruling regarding a motion to clarify submitted by the respondents, pursuant to which, on the date of the scheduled hearing, the petition will be discussed in accordance with Section 7(B) of the Class Actions Law, 2006. The court also determined that responses to the certification petition are to be submitted by all the respondents within 90 days of a ruling on the petition in accordance with Section 7(B).

On January 11, 2021, in view of the increase in morbidity and the guidelines of the Courts Administration to avoid hearings with multiple participants, the court cancelled the hearing scheduled for January 21, 2021. 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 proceeding 4 above and proceeding 6 below will be deliberated jointly against all of the defendants that they have named in those proceedings and that were also named in this proceeding concerning vehicle insurance policies. Additionally, the claim of the plaintiff in this claim, together with the accompanying motion to certify, is dismissed in relation to the vehicle insurance policies, other than in relation to defendant 13 - Libra Insurance Company Ltd. (which has not been named in proceeding 4 above and proceeding 6 below). Additionally, it has been determined that the petitioner in this proceeding may continue to pursue the proceeding concerning home contents insurance against all of the defendants that are named in the certification petition.

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

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

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

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

Notes to the Condensed Interim Financial Statements

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

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

5. (cont'd)

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

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

A pretrial hearing in all cases has been scheduled for January 3, 2023.

The submission of the petitioners' response to the response of the respondents has been extended until December 1, 2022.

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

6. On April 20, 2020, a claim and a petition to certify it as a class action were filed against the Company and 7 other companies. These allege that the insurance companies continue to charge full payments and/or fail to refund monies to policy holders in vehicle insurance (compulsory, comprehensive and third party), while many vehicle owners are unable to use their vehicles as a result of the coronavirus crisis. The remedy requested is to order the respondents to refund to the class members the premiums overpaid by them to the respondents, and to order the respondents to refund to the class members the proportion of premiums that would be over paid by them in relation to the actual insurance risk that will apply after the filing of the petition through to the issue of a final ruling. The total amount claimed for all class members in relation to the Company is estimated at NIS 37,285 thousand.

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

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

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

Notes to the Condensed Interim Financial Statements

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

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

6. (cont'd)

On 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 claim 5 above concerning vehicle insurance policies. Additionally, claim 5 above, together with the accompanying motion to certify, is dismissed in relation to the vehicle insurance policies, other than in relation to defendant 13 - Libra Insurance Company Ltd., which has not been named in claim 4 above and in this claim. Additionally, it has been determined that the plaintiff in claim 5 above may continue to pursue his claim concerning home contents insurance against all of the defendants that are named in his statement of claim.

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

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

On 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.

A pretrial hearing in all cases has been scheduled for January 3, 2023.

The submission of the petitioners' response to the response of the respondents has been extended until December 1, 2022.

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

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

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

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

Notes to the Condensed Interim Financial Statements

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

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

7. (cont'd)

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.

A pre-trial hearing has been scheduled for January 5, 2023. The requests will be deliberated at the pre-trial hearing.

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

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

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

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

Notes to the Condensed Interim Financial Statements

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

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

8. (cont'd)

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. A court hearing in the case has been scheduled for December 27, 2022.

In the opinion of management of the Company, which is based on the opinion of its legal counsel, the scope of cases, if any, is negligible. Therefore, subject to the confirmation of the findings by the expert appointed by the parties, the assessment is that an arrangement can be reached for compensated withdrawal in a monetary amount that is immaterial to the Company.

9. On January 16, 2018 a motion to certify a class action against the Company and other insurance companies was submitted, alleging that the insurers refrain from paying their policyholders and/or third parties the VAT component that applies to the cost of the damages where the claimed damages have not been repaired in practice. The claimant estimated the compensation payable to the class members for each year in relation to the Company at a total of NIS 5,744,484. Following evidentiary hearings and the submission of summations by the parties, a ruling was given, rejecting the motion to certify a class action, with adjudication of costs.

On April 11, 2022, a civil appeal was filed on the ruling of the District Court.

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

In accordance with the court's ruling, the case is scheduled to be heard by the Supreme Court on March 13, 2023.

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

	Number of claims	The amount claimed - NIS thousands
Pending petitions for certification of class actions:		
Amount of claim specified	7	147,392
Amount of claim not specified	2	-
Total	9	147,392

Notes to the Condensed Interim Financial Statements

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

B. Pending Claims - claims resolved during the reported period:

1. On September 14, 2017, a petition for the certification of a class action was filed against 13 insurance companies, including the Company (hereinafter: "the respondents"). The petitioners claim that the respondents refrain from adding linkage differences and/or interest to amounts adjudicated by a judiciary instance, this in violation of Section 5(B) of the Adjudication of Interest and Linkage Law, 1961 (hereinafter: "the Law"). They argue that the Law determines that, where the debtor fails to pay it on time, the linkage differences, the regular interest and the arrears interest is to be added to such amount commencing on the date on which the debtor is obligated to pay the adjudicated debt through to the actual payment date.

The personal damage of the plaintiff against the Company is negligible. The petitioners, in the absence of precise data regarding the total damage relating to the Company, estimated it at tens of millions of shekels.

On October 10, 2018, the petitioners submitted their response to the Respondents' response to the motion to certify the claim as a class action.

On March 13, 2019, some of the respondents submitted their response, expressing their consent to the court's suggestion to refer the case to mediation. Several mediation sessions have been held since June 26, 2019.

On August 4, 2020, the parties submitted an update, informing the court that they have reached understandings concerning the remaining point of contention with respect to the arrangement and requesting it to grant the parties a stay to formulate and submit the arrangement, which has been extended from time to time.

In a hearing held on March 7, 2021, the parties have been required to submit their position on several matters that were raised in the hearing.

On May 5, 2021, the parties submitted a notification concerning the amendment of the compromise arrangement. On the same day, the court ordered the parties to publish the notice on the submission of the motion to approve the compromise arrangement in three widely distributed newspapers and to deliver the notice to the Commissioner of the Capital Market, Insurance and Savings and to the Attorney General.

On May 11, 2021, notification was given of the filing of affidavits by the respondents in support of the arrangement. On May 20, 2021, the court accepted the motion to approve the format of the notification concerning the approval of the compromise arrangement. On July 20, 2021, the parties submitted a notification to the court concerning the publication of the notice regarding the filing of the motion to approve a compromise arrangement in three newspapers.

On December 27, 2021, a hearing was held in a motion to approve a compromise arrangement, in which the court requested supplementary amendments to be made to the compromise arrangement, in the spirit of other amendments that had previously been requested.

On January 6, 2022, the parties submitted a notice on the submission of an amended compromise arrangement.

After several rounds of amendments and corrections to the proposed compromise arrangement, on February 6, 2022, a ruling was issued in approval of the compromise arrangement.

Notes to the Condensed Interim Financial Statements

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

B. Pending Claims - claims resolved during the reported period (cont'd)

1. (cont'd)

The compromise requires the respondents to take the following actions:

- (1) Amend the wording of the settlement notes to include a provision concerning the date of payment not exceeding 30 days;
- (2) Accept lawyers' confirmations as a substitute for transferring the original signed settlement note - i.e., the combination of a clear and legible scanned copy of the signed settlement note + a lawyer's confirmation on the settlement deed + the power of attorney signed by the injured party will serve as a substitute for an original copy of the settlement note.

In addition, as prescribed by the court in the ruling, the definition of the class will be amended such that it will exclude anyone to whom monetary amounts have been adjudicated by a judicial authority based on a judicial ruling on the merits of the claim.

As regarding the compensation of the named plaintiff and its representatives, the Company will pay a total amount of NIS 47 thousand, of which NIS 4 thousand as compensation to claimant 13 and NIS 43 thousand as fees to the claimant's representatives.

In accordance with the ruling, the parties had an ad published in the newspapers concerning the approval of the compromise arrangement and on July 6, 2022 the respondent submitted a notification concerning the execution of the compromise arrangement.

This claim did not have a material effect on the financial statements of the Company.

2. On December 31, 2019, a petition to certify a class action was filed against the Company and IMA. The petitioner, who had purchased an AIG Travel insurance policy from the Company and was injured during a ski vacation in France, alleges that the Company is in breach of its duties of disclosure to the customers, by failing to disclose that the policy does not include coverage for follow-up treatment in Israel; the petitioner argues that this is not specified in the policy (as an exclusion) and was also not disclosed to him verbally in his conversations with the IMA emergency call center operating on behalf of the Company. It is also alleged that the Company does not deliver the complete terms of the insurance policy to its policyholders.

The petitioner estimates his personal damage at NIS 35 thousand and the damage for all class members (based on an estimated 20 cases per year, over seven years) at NIS 4,900 thousand (alternatively, compensation of NIS 5 per day overseas for each of the policyholders – NIS 8,750 thousand). It has further been requested that the Company be required to provide proper disclosure regarding this coverage and to deliver the complete insurance policy to policyholders.

On November 18, 2020, the court approved a consensual procedural arrangement between the parties. Pursuant to the arrangement, the petitioner was permitted to add several documents to his claim and on December 15, 2020 the insurer submitted a supplementary response that addresses several of the claims raised in the petitioner's response. Within this framework, the parties also agreed to schedule a brief one-hour examination of each of the declarants.

In November 2021, before the evidentiary stage, an agreement has been reached, pursuant to which the petitioner withdraws the motion to certify a class action, with no adjudication of costs. On January 6, 2022, the court approved the withdrawal.

Notes to the Condensed Interim Financial Statements

Note 8 - Additional Events in the Reporting Period

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 reduced the insurance liabilities in those general insurance segments in which the liabilities are calculated in accordance with the Commissioner's position as to the best practice.

The negative interest curve in the reporting period reduced the insurance liabilities by NIS 68.9 million, stemming mainly from the compulsory vehicle insurance segment (NIS 61.9 million). The negative interest curve in the third quarter of 2022 reduced the insurance liabilities by NIS 22.4 million, stemming mainly from the compulsory vehicle insurance segment (NIS 20.4 million).