

# **AIG Israel Insurance Company Ltd**

## **Interim Financial Report**

**(Unaudited)**

**As of June 30, 2020**

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**Directors' report**  
**AIG Israel Insurance Company Ltd ("the Company")**  
**for the period ended June 30, 2020**

The directors' report on the business of the Company as of June 30, 2020 ("**the directors' report**"), reviews the Company and developments in its business in the first half of 2020 ("**the reported period**"). The information in this report are as of June 30, 2020 ("**the date of report**") unless otherwise is indicated explicitly.

The Company is an "insurer" as this term is defined in the Supervision of Financial Services Law (Insurance), 1981. Therefore, this report is prepared in accordance with the provisions of the Reports to the Public chapter of the Regulation Codex published by the Commissioner of the Capital Markets, Insurance and Savings Authority ("**the Commissioner of Insurance**" or "**the Commissioner**"). This directors' report was prepared assuming that the user is also holding the Company's 2019 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:

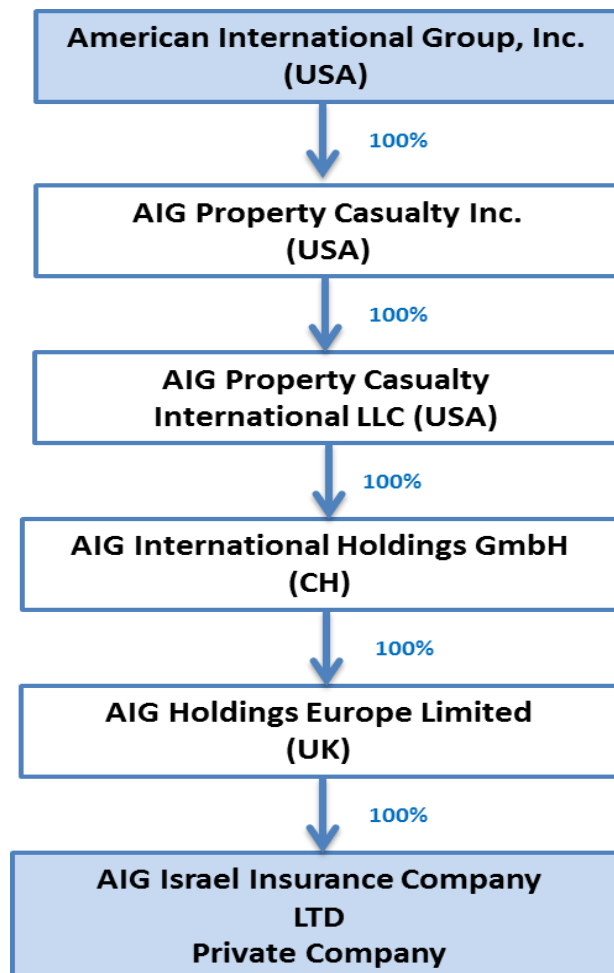
### 1.1 Organizational structure

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 of the Capital Markets, Insurance and Savings Authority ("**the Commissioner**" and "**the Authority**", respectively) 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 (serious illness, personal injury coverage 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 online. Customers are being serviced mainly through a central service call center. Most business of the Company in commercial insurance, and some of the retail insurance business, is done through mediation of insurance agents. As a result of the above marketing methods, the organizational structure of the Company is based on activity through a head office in Petach Tikva.

## **1.2 Areas of activity**

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

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

## **1.3 Extraordinary events in the reporting period**

### **Outbreak of the coronavirus**

In the reporting period, 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. Consequently, the Company made preparations to ensure its continued orderly operation as regarding the meeting of obligations to its customers and the adjustment of all aspects of its operations. These preparations included, inter alia, the following steps:

- Activation of the executive Incident Management Team for ongoing management of the Coronavirus Event and constant examination of the impact of scenarios of the Coronavirus Event on the operating segments and the current operating results of the Company.
- Execution of the Company's program for full transition to remote work (managers and employees, including sales and service centers).
- Ongoing monitoring of developments and of the business and monetary implications on investments and on the various insurance sectors of the Company.
- Implementation of the directives issued by the Commissioner in relation to the Coronavirus Event.
- Holding of special meetings of the Board of Directors.

In the first quarter of 2020, the Coronavirus Event and the lockdowns that were imposed in March 2020 had adversely affected the premium turnover of the Company, most notably in the vehicle insurance sectors and in the overseas travel insurance sector, which was completely shut down from the outset of the Coronavirus Event. The principal effect of the Coronavirus Event on the business results of the Company in said quarter is the sharp drop of prices in the Israeli capital market and in the global financial markets. In the first quarter, the Company incurred losses of approximately NIS 123.8 million on capital market investments. The effect on the comprehensive income, after tax, and on the equity of the Company was approximately NIS 81 million.



In the second quarter of 2020, as businesses gradually resumed full operations under various restrictions, some recovery was recorded in the financial markets, and more notably in the Israeli bond market. As at the reporting date, losses on capital market investments reduced by approximately NIS 39.9 million since the beginning of the quarter (NIS 26.3 after tax). It should be noted that, in the period from the reporting date through to the date of publication of the financial statements, the losses on capital market investments decreased by a further NIS 40 million (NIS 26 million after tax). The Company's turnover premiums continued to suffer in the second quarter of 2020, most notably in the overseas travel insurance sector, which was completely shut down, as mentioned above.

To the date of publication of the report, the State of Israel is undergoing a second wave of the pandemic. In July and August, the Israeli Government reinstated various restrictions on the public, even shutting down certain sectors, this in an attempt to reduce morbidity rates and avoid another general lockdown that would result in a significant downturn of the Israeli economy. At the same time, the Government announced the launch of a long-term economic plan that includes, inter alia, payment of additional grants and expansion of financial aid to businesses and companies that were materially affected by the coronavirus crisis, alongside extension of the periods of eligibility for unemployment benefits.

To the date of publication of the periodic report as at June 30, 2020, the Company does not expect a material adverse effect on the underwriting results of the Company in 2020 as a result of the Coronavirus Event.

For additional information on the impact of the coronavirus, see section 2 below.

The assessments of the Company regarding the effects of the coronavirus on its business constitute forward-looking information, within its definition in the Securities Law, 1968. This information is based, inter alia, on assessments and estimates by management of the Company as at the publication date of this report, which rely on local and international publications on the topic and on the guidelines of the relevant authorities, the realization of which is uncertain and outside the control of the Company. As this is a global event of unusual proportions, which is outside the control of the Company, actual results may differ from the estimated results, including materially, as a result of various factors, including the continued spreading of the virus globally and, more particularly, in Israel, additional outbreaks of the virus and resolutions of the Government of Israel, including the imposition of additional restrictions on the population of the State of Israel under emergency orders in the event of high morbidity rates or the overloading of hospitals in Israel.

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

### **General**

In accordance with data published by the Capital Markets, Insurance and Savings Authority, there are more than 15 Israeli insurance companies currently active in Israel; most of these companies are engaged in general insurance. In accordance with these data, as of December 31, 2019, insurance fees from the general insurance business amounted to NIS 22,786 million; the share of the 5 largest insurance companies – Harel, Phoenix, Migdal, Menorah and Clal – was NIS 13,255 million, or 58% 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 2019 periodic report.



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

Resolutions passed in Israel and worldwide to curb the spreading of the coronavirus and reduce morbidity rates significantly affect product and employment in Israel. Different sectors were affected to varying extents, and some sectors are experiencing a complete shutdown.

According to the most recent assessment published by the Bank of Israel<sup>1</sup>, Israeli product is expected to reduce by 4.5% in 2020 and grow by 6.8% in 2021. Negative inflation of 0.5% is anticipated for 2020, and in 2021 inflation is expected to reach 0.7%. The forecasted Bank of Israel interest rate for the second quarter of 2021 is 0%-0.1%.

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

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

	Jan- June 2020	Jan- June 2019	April- June 2020	April- June 2019	2019
<b>Government bonds indexes</b>					
General government bonds	1.47%	4.49%	3.41%	1.67%	9.1%
Linked government bonds	0.87%	5.66%	3.97%	2.09%	10.3%
NIS government bonds	1.88%	3.66%	3.02%	1.37%	8.3%
<b>Corporate bonds indexes</b>					
Tel Bond 60	(5.51%)	5.82%	1.40%	1.98%	7.4%
Tel Bond NIS	(6.43%)	5.00%	1.87%	1.24%	8.6%
<b>Shares indexes</b>					
Tel-Aviv 125	(18.03%)	11.40%	3.79%	4.73%	21.3%
S&P 500	(4.04%)	17.35%	19.95%	3.79%	28.9%

For information regarding the composition of the Company's investments see financial investment asset list in note 6 to the condensed financial statements.

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 2019 periodic report.

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

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

#### Circulars

- In June 2020, the Commissioner published an update to the consolidated circular concerning "Measurement of Liabilities - Allocation of Assets Other Than at Fair Value in Performing the Liability Adequacy Test (LAT)". The update provides clarifications for the implementation of the provisions regarding the difference between the depreciated cost and the fair value of assets ("UGL") that at the time of the LAT are not presented in the statement of profit or loss at fair value, and amends the disclosure provisions concerning the UGL calculation in the financial statements of insurance companies.

<sup>1</sup> A macroeconomic forecast of the Bank of Israel's Research Division from May 25, 2020.



- In June 2020, the Commissioner published an amendment to the provisions of the consolidated circular concerning “Personal Accidents Insurance”. The amendment aims to regulate the personal accidents sector by stipulating provisions concerning the insurance coverage for new policyholders, including a basic layer of insurance that comprises coverage for death, disability, hospitalization, fractures, burns and recovery period, determining a uniform and broad definition of “accident”, setting a biannual insurance period and prescribing specific provisions for new personal accidents policyholders as well as a mechanism for the settlement of disability claims under the policy.
- Concurrently with the publication of the amendment to the provisions of the consolidated circular concerning “Personal Accidents”, a draft amendment to the “Renewal of Insurance” circular was published, which brings into its scope personal accidents insurance policies (with the exception of death and disability as a result of an accident insurance, which is marketed as an expansion).
- In June 2020, the Commissioner published an amendment to the provisions of the consolidated circular concerning “Measurement of Liabilities - Liquidity Premium”. The amendment prescribes a specific rate of liquidity premium that is to be applied in performing the LAT, among others, for compulsory vehicle insurance policies and liability insurance policies.
- In June 2020, the Commissioner published an amendment to the circular concerning “Web-Based Interface for the Location of Insurance Products”. The amendment stipulates reporting requirements for additional types of information, in order to improve the services that are provided to policyholders through “Har Habituač” and to introduce new services in relation to health insurance.
- In July 2020, an amendment to the consolidated circular concerning “Renewal of Insurance Contracts” was extended until the end of 2020. The amendment, which serves as an ad hoc provision on the backdrop of the Coronavirus Event, allows insurers to suspend insurance coverage. Additionally, insurance companies may extend the renewal period beyond the stated in the notification of termination of the insurance period (21 days), to the extent that it is unable to contact the policy holder.
- In July 2020, an amendment to the consolidated circular concerning “Board of Directors of a Public Institution” was extended until the end of Q3-2020. The amendment, which serves as an ad hoc provision on the backdrop of the Coronavirus Event, provides, inter alia, for the cancelation of the requirement of a physical convening of the board of directors at least once a quarter and the deferral of the dates for approval of minutes and determines that a public institution will submit to the Commissioner a summary of the resolutions of the board of directors or its committees that were passed at a meeting concerning the Coronavirus Event, this not later than 5 business days from the date of the meeting.

## **Drafts**

- In June 2020, the Commissioner published a draft amendment to the circular concerning “Principles for the Preparation of Medical Underwriting”. The draft amendment proposes the updating of the appendix of said circular - “Permitted Practices and Prohibited Practices in the Medical Underwriting Process”, and the instruction of insurers on underwriting processes where the insurance candidate is a person with a disability, as defined in the Equal Rights for Persons With Disability Law, 1998.
- In July 2020, the Commissioner published a draft amendment to the circular concerning “Institution of Insurance Plans and a Provident Fund Code”. The draft amendment proposes the introduction of underwriting questions concerning the coronavirus that insurers may add to policyholders’ health declarations in certain insurance sectors.
- In July 2020, the Commissioner published a draft amendment to the provisions of the “Acceptance to an Insurance Plan” circular. The draft proposes to obligate insurance agents to disclose to insurance candidates, during the acceptance process, that most of their income is derived from specific insurance companies, and to prohibit insurance agents to condition the process of acceptance into an insurance plan, including adaptation to the insurance candidate’s needs, on a specified or an undefined loyalty period.
- In August 2020, the Commissioner published a draft amendment to the consolidated circular concerning “Reports to the Public”. The draft proposes, inter alia, expansion of the economic solvency ratio disclosure to include the implementation of the transitional provisions prescribed for the deployment period with regard to the raising of the solvency capital ratio required of insurance companies.





### **Subrogation Arrangement with the National Insurance Institute of Israel**

The State Budget for 2019 included a proposed modification of the accounting mechanism between the National Insurance Institute (hereinafter: "NII") and the insurance companies. The proposal suggests, inter alia, amendment of the arrangement set forth in Section 328 (a) of the National Insurance Law regarding the settling of accounts between NII and the insurance companies in respect of payment of compensation for the benefit paid or to be paid by NII for Victims of Road Accidents pursuant to the Road Accident Victims Compensation Law, 1975 (hereinafter: "the Compensation Law") pursuant to which insurance companies would be required to transfer a fixed annual amount to cover their liability.

To the best of the Company's knowledge, as at the reporting date, the emerging arrangement with the Ministry of Finance provides for a specific settling of accounts between insurance companies and NII for the years 2014-2020, based on the understandings reached between the parties (or the absence of such understandings), this being conditional upon the insurance companies waiving statute of limitations claims with respect to the years 2014 and 2015.

It has also been agreed that the insurance companies will transfer an advance of NIS 1 billion on account of a past debt for underwriting years 2014-2018. The Company estimates that, as at the reporting date, its share of the aforesaid advance will amount to approximately NIS 31 million, subject to the specific settling of accounts for the aforementioned underwriting years. Additionally, within the framework of the emerging arrangement, starting in 2021 the insurance companies will make fixed annual payments to NII, at pre-agreed rates that will be set in the arrangement.



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

Following are principal balance sheet-data (NIS thousands):

	June 30, 2020	June 30, 2019	December 31, 2019
Other assets	321,151	321,279	289,433
Deferred acquisition expenses	160,630	161,436	157,386
Financial investments and cash	1,973,420	2,057,698	2,044,165
Reinsurance assets	707,740	750,493	750,493
<b>Total assets</b>	<b>3,166,941</b>	<b>3,290,906</b>	<b>3,192,169</b>
Equity	848,877	931,024	852,222
Liabilities in respect of insurance contracts	1,937,049	1,950,660	1,904,206
Other liabilities	381,015	409,222	435,741
<b>Total equity and liabilities</b>	<b>3,166,941</b>	<b>3,290,906</b>	<b>3,192,169</b>

Following are principal comprehensive income data (NIS thousands)

	Jan-June 2020	Jan-June 2019	Apr-June 2020	Apr-June 2019	2019
Gross premiums earned	575,033	581,527	581,527	293,720	1,181,142
Premiums earned by reinsurers	(95,646)	(96,141)	(48,501)	(46,574)	(195,627)
<b>Premiums earned in retention</b>	<b>479,387</b>	<b>485,386</b>	<b>237,080</b>	<b>247,146</b>	<b>985,515</b>
Net investment gains (losses) and financing income	(83,883)	68,193	39,918	22,522	95,347
Income from commissions	25,246	25,821	12,328	13,091	52,375
<b>Total revenue</b>	<b>420,750</b>	<b>579,400</b>	<b>289,326</b>	<b>282,759</b>	<b>1,133,237</b>
Payments and change in liability for insurance contracts, in retention	(260,001)	(260,200)	(118,322)	(121,490)	(541,181)
Total other expenses	(164,953)	(157,782)	(79,573)	(80,533)	(323,636)
<b>Income (loss) before taxes on income</b>	<b>(4,204)</b>	<b>161,418</b>	<b>91,431</b>	<b>80,736</b>	<b>268,420</b>
Income tax benefit (expense)	859	(55,601)	(30,509)	(27,650)	(91,405)
<b>Income (loss) for the period and total comprehensive income (loss) for the period</b>	<b>(3,345)</b>	<b>105,817</b>	<b>60,922</b>	<b>53,086</b>	<b>177,015</b>

### Capital and capital requirements

As at June 30, 2020, equity amounted to NIS 848.9 million, as compared to NIS 852.2 million as at December 31, 2019. The change in equity in the reported period is due to a comprehensive loss of approximately NIS 3.3 million.

To the best of the Company's knowledge, as at the reporting date 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 June 2017, the Commissioner published Circular 2017-1-9, "Directives for the Implementation of a Solvency II-Based Economic Solvency Ratio Regime by Insurance Companies (hereinafter: "the Solvency Circular"), which aims to institute a new solvency regime for insurance companies in Israel, which, inter alia requires insurance companies to calculate their economic solvency ratio, this with effect as from June 30, 2017.

A circular published in December 2017 and its update dated June 2019 (hereinafter: "**the Disclosure Circular**") provides for the format of the economic solvency ratio report, the manner of its approval by the appropriate organs in the company and the principles for its audit by the company's auditors as well as the related disclosure requirements.

On July 7, 2019, the Company received the Commissioner's confirmation of the audit of the implementation of the Solvency regime in accordance with the Disclosure Circular, 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.

In March 2020, the Commissioner issued a letter to the insurance companies concerning the Authority's intention to adjust the economic solvency regime in Israel to the provisions of Directive 2009/138/EC (hereinafter: "**the Directive**") (i.e. the format adopted by the European Union). The letter prescribes, inter alia, the principal milestones for the performance of the necessary adjustments to the Directive, alongside provisions for the economic solvency regime reporting requirements in the near term. Within this framework, the date for the calculation of the economic solvency ratio as at December 31, 2019 was set for August 31, 2020.

In this context it should be noted that, about a week following the publication of said letter, the insurance companies received a written demand from the Authority to submit indicative results of the calculation of the economic solvency ratio as at December 31, 2019 in accordance with the provisions of the Solvency Circular, as well as an approximation of the current solvency ratio in accordance with the draft amendment to the Solvency Circular (below), this by May 31, 2020.

Pursuant to the Authority's intention to pursue the adjustment of the economic solvency regime in Israel to the provisions of the Directive, as above, in March and April 2020, the Commissioner published draft amendments to the provisions of the Solvency Circular. The aforesaid drafts propose, inter alia, updating of the provisions concerning non-compliance with the solvency capital ratio, as stipulated in Section 138 of the Directive, such that the Commissioner may extend the period of the amendment for compliance with the solvency capital ratio by up to 7 years, under various circumstances, to the extent that these have a material adverse effect on the solvency ratio of several insurance companies that, in aggregate, hold a significant market share of a given insurance sector, including an unexpected and sharp drop in financial markets, a prolonged low-interest environment and a catastrophic event. In August 2020, a third draft amendment to the provisions of the Solvency Circular was published. The draft amendment proposes that the provisions of the Solvency Circular be incorporated into the consolidated circular and updates the deployment provisions with regard to the raising of the solvency capital ratio requirement and additional provisions concerning the calculation of insurance companies' economic solvency ratio, including the recognition by the Authority of investments in insuretechs.



Presented below are data concerning solvency ratio and MCR:

a. Solvency ratio (NIS in thousands):

	December 31, 2019	December 31, 2018
<b>Regardless of the provisions in the deployment period:</b>		
Equity for purposes of solvency capital requirement (SCR)	1,032,523	1,071,017
Solvency capital requirement (SCR)	701,972	629,586
<b>Surplus as of reporting date</b>	<b>330,551</b>	<b>441,431</b>
<b>Solvency ratio as of reporting date (%)</b>	<b>147%</b>	<b>170%</b>
<b>Milestones achieved during the deployment period:</b>		
Equity for purposes of solvency capital requirement in deployment period	1,032,523	1,071,017
Solvency capital requirement in deployment period	523,034	438,750
<b>Surplus in the deployment period</b>	<b>509,489</b>	<b>632,267</b>

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

	December 31, 2019	December 31, 2018
Minimum capital requirement (MCR)	180,321	182,728
Equity for purposes of MCR	1,032,523	1,071,017

The calculation performed by the Company as at December 31, 2019 was reviewed by the auditors of the Company, in accordance with ISAE 3400. For additional information on the solvency ratio, see the Company's economic solvency ratio report as at December 31, 2019, which is attached to this report and is also available on the Company's website: <https://www.aig.co.il/about/repayment-ratio>.

The Company believes that in the coming year it would not be required to raise sources for compliance with the statutory solvency ratio and with the solvency ratio target set by the Board of Directors of the Company. The information that is provided in this section above constitutes forward-looking information, which is based, inter alia, on the current state of the Company's operations. Actual results may differ from the estimated results, including materially, as a result of various factors, most prominently regulatory changes applicable to the Company.



#### 4. Results of operations

The Company's total gross premiums amounted to NIS 591.0 million in the reporting period, as compared to approximately 612.2 million in the corresponding period in 2019. The decrease in gross premiums in the reporting period stems mainly from the overseas travel, personal accidents and property insurance sectors and from liability sectors in commercial insurance.

The Company's total premiums in retention amounted to NIS 497.8 million in the reporting period, as compared to NIS 504.8 million in the corresponding period in 2019. The decrease in premiums in retention in the reporting period stems mainly from the overseas travel and personal accidents insurance sectors.

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

Jan-June 2020	Life insurance	Health insurance	General insurance	Total
Gross	74,727	79,676	436,605	591,008
In retention	60,136	78,276	359,415	497,827
% of total gross	12.6	13.5	73.9	100.0
% of retention	12.1	15.7	72.2	100.0

Jan-June 2019	Life insurance	Health insurance	General insurance	Total
Gross	68,419	100,568	443,248	612,235
In retention	54,634	99,096	351,045	504,775
% of total gross	11.2	16.4	72.4	100.0
% of retention	10.8	19.6	69.5	100.0

Jan-December 2019	Life insurance	Health insurance	General insurance	Total
Gross	140,351	204,216	834,941	1,179,508
In retention	112,960	201,283	674,895	989,138
% of total gross	11.9	17.3	70.8	100.0
% of retention	11.4	20.3	68.3	100.0

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

	Jan-June 2020	Jan-June 2019	April-June 2020	April-June 2019	Jan-Dec 2019
Income (loss) from compulsory vehicle insurance	(16,133)	37,811	10,291	26,327	29,410
Income from vehicle property insurance	23,897	34,731	31,722	15,524	74,875
Income from home insurance	2,628	10,012	5,193	3,447	13,956
Income from health insurance	11,349	23,571	11,967	13,641	54,023
Income from life insurance	21,556	14,232	11,553	10,158	33,202
Income (loss) from commercial insurance	(8,710)	14,853	5,940	3,125	26,895
Other - Income (loss) not allocated to any segment	(38,791)	26,208	14,765	8,514	36,059
<b>Income (loss) before taxes on income</b>	<b>(4,204)</b>	<b>161,418</b>	<b>91,431</b>	<b>80,736</b>	<b>268,420</b>
Income tax benefit (expense)	859	(55,601)	(30,509)	(27,650)	(91,405)
<b>Income (loss) for the period and total comprehensive income (loss) for the period</b>	<b>(3,345)</b>	<b>105,817</b>	<b>60,922</b>	<b>53,086</b>	<b>177,015</b>

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



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

- a. Pre-tax loss in the reporting period amounted to approximately NIS 4.2 million, as compared to approximately 161.4 million in the corresponding period in 2019. The decrease in profit was due mainly to material investment losses as a result of the Coronavirus Event (see section 1.3 above and section b. below). The underwriting profit of the Company decreased from NIS 92.5 million in the corresponding period to approximately NIS 80.7 million in the reporting period. The decrease in the underwriting profit was due to the reduction of NIS 34.7 million in insurance liabilities in the compulsory vehicle insurance segment in the corresponding period in 2019, following the Supreme Court's ruling on the discount rate applicable to annuities.

Pre-tax profit in the second quarter of 2020 totaled approximately NIS 91.4 million, as compared to approximately NIS 80.7 million in the corresponding quarter in 2019. The increase in profit was due mainly to higher gains on investments. The underwriting profit of the Company in the second quarter of 2020 amounted to approximately NIS 53.2 million, as compared to approximately NIS 56.8 million in the corresponding quarter in 2019. As mentioned above, in the second quarter of 2019 insurance liabilities in the compulsory vehicle insurance segment were reduced by NIS 34.7 million. Eliminating the aforesaid reduction of insurance liabilities, the underwriting profit in the second quarter of 2020 would have increased significantly over the second quarter of 2019, primarily in the vehicle property and compulsory vehicle insurance.

- b. Net investment losses amounted to NIS 83.9 million in the reporting period, as compared to investment gains of approximately NIS 68.2 million in the corresponding period in 2019. The losses on investments in the reporting period were due to sharp price drops on the Israeli capital market and in global financial markets as a result of the Coronavirus Event (see section 2 above).
- c. The profit of the Company from vehicle property insurance in the reporting period was NIS 23.9 million, as compared to profit of NIS 34.7 million in the corresponding period in 2019. The lower profit is due to losses on investments. The underwriting profit of the Company from vehicle property insurance amounted to NIS 32.3 million in the reporting period, as compared to profit of NIS 26.2 million in the corresponding period in 2019. The increased profit was due to a significant improvement in the claims' ratio in the second quarter of 2020. A significant contributor to this reduction in the claims' ratio was the lower occurrence of road accidents as a result of the Coronavirus Event.

The profit of the Company from vehicle property insurance in the second quarter of 2020 was NIS 31.7 million, as compared to profit of NIS 15.5 million in the corresponding period in 2019. The underwriting profit of the Company from vehicle property insurance in the second quarter of 2020 was NIS 27.5 million, as compared to NIS 12.4 million in the corresponding period in 2019. The higher profit was due mainly to the improved claims' ratio, as described above.

- d. The Company's loss from compulsory vehicle insurance amounted to NIS 16.2 million in the reporting period, as compared to 37.8 million in the corresponding period in 2019. The transition from profit in the corresponding period in 2019 to loss in the reporting period was due to investment losses in the reporting period stemming from sharp price drops on the capital market as a result of the Coronavirus Event. The underwriting profit from compulsory vehicle insurance amounted to NIS 3.9 million in the reporting period, as compared to profit of NIS 21.0 million in the corresponding period in 2019. The significant decrease in profit was due to the reduction of NIS 34.7 million in insurance liabilities in the compulsory vehicle insurance segment in the corresponding period in 2019, following the Supreme Court's ruling on the discount rate applicable to annuities.

The profit of the Company from compulsory vehicle insurance in the second quarter of 2020 was NIS 10.3 million, as compared to profit of NIS 26.3 million in the corresponding period in 2019. The underwriting profit of the Company from compulsory vehicle insurance in the second quarter of 2020 was NIS 0.4 million, as compared to NIS 20.4 million in the corresponding quarter in 2019. The significant decrease in profit was due to the reduction of NIS 34.7 million in insurance liabilities in the compulsory vehicle insurance segment in the corresponding period in 2019, following the Supreme Court's ruling on the discount rate applicable to annuities.





- e. The profit of the Company from home insurance in the reporting period was NIS 2.6 million, as compared to profit of NIS 10.0 million in the corresponding period in 2019. The lower profit is due to losses on investments in the reporting period. The underwriting profit of the Company from home insurance amounted to NIS 6.0 million in the reporting period, as compared to profit of NIS 6.8 million in the corresponding period in 2019.

The profit of the Company from home insurance in the second quarter of 2020 was NIS 5.2 million, as compared to profit of NIS 3.4 million in the corresponding period in 2019. The underwriting profit of the Company from home insurance in the second quarter of 2020 was NIS 3.2 million, as compared to NIS 2.2 million in the corresponding period in 2019.

- f. The profit of the Company from health insurance in the reporting period was NIS 11.3 million, as compared to profit of NIS 23.6 million in the corresponding period in 2019. The lower profit is due to losses on investments in the reporting period. The underwriting profit from health insurance in the reporting period was NIS 14.9 million, as compared to profit of NIS 19.6 million in the corresponding period in 2019. The decrease in underwriting profit was due mainly to a loss in the overseas travel sector. This loss was due to a significant reduction in premiums earned as a result of the coronavirus crisis and to the higher rate of claims, which was partly due to claims relating to the Coronavirus Event (claims for trip cancellations).

The profit from health insurance in the second quarter of 2020 was NIS 12.0 million, as compared to profit of NIS 13.6 million in the corresponding period last year. The underwriting profit from health insurance in the second quarter of 2020 was NIS 10.2 million, as compared to NIS 12.2 million in the corresponding period in 2019.

- g. The profit of the Company from life insurance in the reporting period was NIS 21.6 million, as compared to profit of NIS 14.2 million in the corresponding period in 2019. The increase in profit was due to the reduced claims' ratio and expenses' ratio.

The profit of the Company from life insurance in the second quarter of 2020 was NIS 11.6 million, as compared to profit of NIS 10.2 million in the corresponding period last year. The increase in profit was due mainly to the reduced claims' ratio.

- h. The loss of the Company from professional liability insurance in the reporting period was NIS 4.1 million, as compared to profit of NIS 7.3 million in the corresponding period in 2019. The loss in the reporting period is due to losses on investments. The underwriting profit of the Company from professional liability insurance amounted to NIS 1.1 million in the reporting period, as compared to profit of NIS 2.3 million in the corresponding period in 2019.

The underwriting profit of the Company from professional liability insurance in the second quarter of 2020 was NIS 3.3 million, as compared to profit of NIS 0.7 million in the corresponding period last year. The underwriting profit of the Company from professional liability insurance in the second quarter of 2020 was NIS 0.7 million, as compared to a loss of NIS 1.2 million in the corresponding period in 2019. The higher underwriting profit was due to the improvement in the claims' ratio.

- i. The loss of the Company from other property insurance in the reporting period was NIS 1.5 million, as compared to profit of NIS 4.1 million in the corresponding period in 2019. The loss in the reporting period is due to losses on investments. The underwriting loss of the Company from other property insurance amounted to NIS 0.6 thousand in the reporting period, as compared to profit of NIS 3.2 million in the corresponding period in 2019. The transition from underwriting profit in the corresponding period to loss in the reporting period is due to the lower output. As a result of the flooding damages at the beginning of the reporting period, this sector recorded gross claims of approximately NIS 23 million. Since the Company maintains a very low retention in this sector after reinsurance, the aforesaid claims did not have a material effect on the results of the Company.

The loss of the Company from other property insurance in the second quarter of 2020 was NIS 0.1 million, as compared to profit of NIS 2.4 million in the corresponding period last year. The underwriting loss of the Company from other property insurance in the second quarter of 2020 was NIS 0.6 million, as compared to profit of NIS 2.1 million in the corresponding period in 2019. The transition from profit in the corresponding quarter to loss in the current quarter is due to the lower output.



- j. The loss of the Company from other liability insurance in the reporting period was NIS 3.1 million, as compared to profit of NIS 3.5 million in the corresponding period in 2019. The loss in the reporting period is due to losses on investments. The underwriting profit of the Company from other liability insurance in the reporting period was NIS 1.5 million, as compared to a loss of NIS 0.9 million in the corresponding period in 2019. The profit in the reporting period was due to the improvement in the claims' ratio.

The profit of the Company from other liability insurance in the second quarter of 2020 was NIS 2.8 million, as compared to profit of NIS 15 thousand in the corresponding period last year. The underwriting profit of the Company from other property insurance in the second quarter of 2020 was NIS 0.3 million, as compared to profit of NIS 1.5 million in the corresponding period in 2019.

The profit in the reporting period was due to the improvement in the claims' ratio.

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

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

	Jan-June 2020	Jan-June 2019	Apr-June 2020	Apr-June 2019	Jan-Dec 2019
Vehicle property	32,392	26,249	27,507	12,405	62,844
Home	6,029	6,802	3,176	2,225	9,023
Other property sectors	(591)	3,208	(587)	2,078	4,942

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

	Jan-June 2020		Jan-June 2019		Jan-Dec 2019	
	LR%	CR%	LR%	CR%	LR%	CR%
<b><u>Vehicle property:</u></b>						
Gross	59%	82%	65%	86%	62%	83%
In retention	59%	82%	65%	86%	62%	83%
<b><u>Property<sup>3</sup>:</u></b>						
Gross	74%	105%	63%	94%	53%	84%
In retention	56%	91%	47%	82%	54%	88%

	Apr-June 2020		Apr-June 2019	
	LR%	CR%	LR%	CR%
<b><u>Vehicle property:</u></b>				
Gross	49%	70%	64%	87%
In retention	49%	70%	64%	87%
<b><u>Property<sup>3</sup>:</u></b>				
Gross	55%	86%	78%	110%
In retention	55%	91%	50%	85%

<sup>2</sup> For the gross data, the claims' ratio and the expenses' ratio are calculated for gross earned premiums. For the data in retention, the claims' ratio and the expenses' ratio are calculated for premiums earned in retention.

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





## **5. Cash flows and liquidity**

Net cash used in operating activities in the reported period was NIS 29.2 million, as compared to NIS 11.7 million in the corresponding period in 2019.

Net cash used in investing activities in the reported period amounted to NIS 7.1 million, as compared to NIS 6.9 million in the corresponding period in 2019.

As a result of the above, the balance of cash and cash equivalents in the reported period increased by NIS 19.8 million, amounting to NIS 77.8 million as of June 30, 2020.

## **6. Sources of funding**

All of the Company's operations are funded with its own resources and equity. As at the date of approval of this report, the Company does not use any external funding sources.

## **7. Material subsequent events**

For information on the progress of the Coronavirus Event and its impact on the business of the Company, see section 1.3 above.

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

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

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

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

In the course of the quarter ending on June 30, 2020, no change has occurred in the internal control of the Company over financial reporting that materially affected or is reasonably expected to materially affect the Company's internal control on financial reporting.

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

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

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

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Ralph Mucerino  
Chairman of the Board of Directors

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Yfat Reiter  
CEO

August 25, 2020

# **AIG Israel Insurance Company Ltd**

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

## **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 June 30, 2020 (hereafter – "the report").
2. Based on my knowledge, the report does not include any misstatement of a material fact or omit to disclose a material fact the presentation of which in the report is necessary for the purpose of ensuring that under the circumstances in which those presentations are included, they will not be misleading regarding the period covered by the report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the report reflect fairly, in all material respects, the financial position, results of operations, changes in shareholders' equity and cash flows of the insurance company for the date and periods covered by the report.
4. The Company's other certifying officers and I are responsible for establishing and maintaining controls and procedures relating to disclosure<sup>1</sup> and internal controls over financial reporting of the insurance company; and -
  - (a) Accordingly, we have designed such disclosure controls and procedures, or have had such disclosure controls and procedures established under our charge, designed to ensure that material information relating to the insurance company is made known to us by others in the insurance company particularly during the period in which the reports were prepared;
  - (b) We designed internal controls over financial reporting, or supervised the design of such internal controls designed to provide a reasonable assurance regarding the reliability of the financial reporting and assurance to the effect that the financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and in accordance with the directives of the Supervisor of Insurance.
  - (c) We assessed the effectiveness of controls and procedures regarding the disclosure of the insurance company and presented our conclusions regarding the effectiveness of disclosure controls and procedures as of the end of the period covered in the report, based on our estimate; and
  - (d) We disclosed in the report any change in the insurance company's internal controls over financial reporting which took place in this quarter and had a material effect or is expected to have a material effect on the insurance company's internal controls over financial reporting; and

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

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

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

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Yfat Reiter - CEO

August 25, 2020

## **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 June 30, 2020 (hereafter – "the report").
2. Based on my knowledge, the report does not include any misstatement of a material fact or omit to disclose a material fact the presentation of which in the report is necessary for the purpose of ensuring that under the circumstances in which those presentations are included, they will not be misleading regarding the period covered by the report.
3. Based on my knowledge, the quarterly financial statements and other financial information included in the report reflect fairly, in all material respects, the financial position, results of operations, changes in shareholders' equity and cash flows of the insurance company for the date and periods covered by the report.
4. The Company's other certifying officers and I are responsible for establishing and maintaining controls and procedures relating to disclosure<sup>1</sup> and internal controls over financial reporting of the insurance company; and -
  - (a) Accordingly, we have designed such disclosure controls and procedures, or have had such disclosure controls and procedures established under our charge, designed to ensure that material information relating to the insurance company is made known to us by others in the insurance company particularly during the period in which the reports were prepared;
  - (b) We designed internal controls over financial reporting, or supervised the design of such internal controls designed to provide a reasonable assurance regarding the reliability of the financial reporting and assurance to the effect that the financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and in accordance with the directives of the Supervisor of Insurance.
  - (c) We assessed the effectiveness of controls and procedures regarding the disclosure of the insurance company and presented our conclusions regarding the effectiveness of disclosure controls and procedures as of the end of the period covered in the report, based on our estimate; and
  - (d) We disclosed in the report any change in the insurance company's internal controls over financial reporting which took place in this quarter and had a material effect or is expected to have a material effect on the insurance company's internal controls over financial reporting; and

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

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

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

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David Rothstein - CFO

August 25, 2020

## **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, 2020, 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 June 30, 2020 the internal control of the Insurance Company over financial reporting is effective.

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Mr. Ralph Mucerino  
Chairman of the Board

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Ms. Yfat Reiter  
CEO

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Mr. David Rothstein  
CFO

Date of approval of financial statements: August 25, 2020

**AIG ISRAEL INSURANCE COMPANY LTD.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)

JUNE 30, 2020



**AIG ISRAEL INSURANCE COMPANY LTD.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
(Unaudited)

JUNE 30, 2020

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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 June 30, 2020 and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six- 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 this interim period in accordance with the provisions of International Accounting Standard No. 34, 'Interim Financial Reporting' (hereinafter: "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 Supervisor of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981. Our responsibility is to express a conclusion with respect to the financial information for this interim period, based on our review.

### **Scope of review**

Our review was conducted in accordance with the provisions of Review Standard No. 1 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 Supervisor 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 condensed interim financial statements concerning the exposure to contingent liabilities.

Somekh Chaikin  
Certified Public Accountants (Isr.)

August 25, 2020

**AIG ISRAEL INSURANCE COMPANY LTD.**  
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION AS OF

	June 30		December 31,
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS in thousands		
A s s e t s			
Intangible assets	23,397	33,293	31,722
Deferred acquisition costs	160,630	161,436	157,386
Property and equipment	34,450	42,228	37,376
Reinsurance assets	707,740	750,493	701,185
Premiums collectible	185,157	198,455	178,905
Current tax assets	1,327	-	-
Deferred tax assets, net	29,774	-	-
Other receivables	51,046	47,303	41,430
	1,193,521	1,233,208	1,148,004
FINANCIAL INVESTMENTS:			
Marketable debt instruments	1,728,167	1,840,084	1,796,238
Non-marketable debt instruments	82,706	70,448	90,192
Other	84,719	81,461	99,737
TOTAL FINANCIAL INVESTMENTS	1,895,592	1,991,993	1,986,167
CASH AND CASH EQUIVALENTS	77,828	65,705	57,998
TOTAL ASSETS	3,166,941	3,290,906	3,192,169

**Ralph Mucerino**  
Chairman of the Board  
of Directors

**Yfat Reiter**  
C.E.O

**David Rothstein**  
C.F.O

Date of approval of financial information for interim period by the Board of Directors of the Company:  
August 25, 2020

**AIG ISRAEL INSURANCE COMPANY LTD.**  
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION AS OF

	June 30		December 31,
	2020	2019	2019
	(Unaudited)		(Audited)
	NIS in thousands		
Equity and liabilities			
EQUITY:			
Share capital	6	6	6
Share premium	250,601	250,601	250,601
Capital reserve	15,708	15,708	15,708
Retained earnings	582,562	664,709	585,907
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	848,877	931,024	852,222
LIABILITIES:			
Liabilities in respect of insurance contracts and investment contracts that are not yield dependent	1,937,049	1,950,660	1,904,206
Liabilities in respect of deferred taxes, net	-	3,207	5,317
Retirement benefit obligation, net	5,429	3,157	5,279
Liabilities to reinsurers	265,940	279,410	278,511
Liabilities for current taxes	-	8,483	18,300
Other payables	109,646	114,965	128,334
TOTAL LIABILITIES	2,318,064	2,359,882	2,339,947
TOTAL EQUITY AND LIABILITIES	3,166,941	3,290,906	3,192,169

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

**AIG ISRAEL INSURANCE COMPANY LTD.**

**CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Six months ended June 30</b>		<b>Three months ended June 30</b>		<b>Year ended December 31,</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>(Unaudited)</b>		<b>(Unaudited)</b>		<b>(Audited)</b>
	<b>NIS in thousands</b>				
Gross earned premiums	575,033	581,527	285,581	293,720	1,181,142
Premiums earned by reinsurers	(95,646)	(96,141)	(48,501)	(46,574)	(195,627)
Premiums earned in retention	479,387	485,386	237,080	247,146	985,515
Investment gains (losses), net, and financing income	(83,883)	68,193	39,918	22,522	95,347
Commission income	25,246	25,821	12,328	13,091	52,375
<b>TOTAL INCOME</b>	<b>420,750</b>	<b>579,400</b>	<b>289,326</b>	<b>282,759</b>	<b>1,133,237</b>
Payments and change in liabilities with respect to insurance contracts, gross	(325,400)	(330,586)	(136,584)	(165,475)	(622,067)
Share of reinsurers in increase of insurance liability and payments for insurance contracts	65,399	70,386	18,262	43,985	80,886
Payments and change in liabilities with respect to insurance contracts, in retention	(260,001)	(260,200)	(118,322)	(121,490)	(541,181)
Commissions, marketing expenses and other acquisition costs	(118,086)	(121,707)	(60,375)	(64,112)	(243,787)
General and administrative expenses	(45,816)	(36,838)	(17,509)	(17,868)	(80,305)
Financing income (expenses), net	(1,051)	763	(1,689)	1,447	456
<b>TOTAL EXPENSES</b>	<b>(424,954)</b>	<b>(417,982)</b>	<b>(197,895)</b>	<b>(202,023)</b>	<b>(864,817)</b>
<b>INCOME (LOSS) BEFORE TAXES ON INCOME</b>	<b>(4,204)</b>	<b>161,418</b>	<b>91,431</b>	<b>80,736</b>	<b>268,420</b>
Income tax benefit (expense)	859	(55,601)	(30,509)	(27,650)	(91,405)
<b>INCOME (LOSS) FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>(3,345)</b>	<b>105,817</b>	<b>60,922</b>	<b>53,086</b>	<b>177,015</b>
<b>BASIC EARNINGS (LOSS) PER SHARE:</b>					
Basic earnings per share	(0.58)	18.47	10.63	9.26	30.89
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.**

**AIG ISRAEL INSURANCE COMPANY LTD.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

	<b>Share Capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>NIS in thousands</b>				
<b>SIX-MONTH PERIOD ENDED JUNE 30, 2020</b>					
<b>BALANCE AS AT JANUARY 1, 2020</b> (audited)	6	250,601	15,708	585,907	852,222
Total comprehensive loss for the period				(3,345)	(3,345)
<b>BALANCE AS AT JUNE 30, 2020</b> (unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>582,562</u>	<u>848,877</u>
 <b>SIX-MONTH PERIOD ENDED JUNE 30, 2019</b>					
<b>BALANCE AS AT JANUARY 1, 2019</b> (audited)	6	250,601	15,708	558,892	825,207
Total comprehensive income for the period				105,817	105,817
<b>BALANCE AS AT JUNE 30, 2019</b> (unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>664,709</u>	<u>931,024</u>
 <b>THREE-MONTH PERIOD ENDED JUNE 30, 2020</b>					
<b>BALANCE AS AT APRIL 1, 2020</b> (unaudited)	6	250,601	15,708	521,640	787,955
Total comprehensive income for the period				60,922	60,922
<b>BALANCE AS AT JUNE 30, 2020</b> (unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>582,562</u>	<u>848,877</u>

**AIG ISRAEL INSURANCE COMPANY LTD.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

	<u>Share Capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	<b>NIS in thousands</b>				
<b>THREE-MONTH PERIOD ENDED JUNE 30, 2019</b>					
<b>BALANCE AS AT APRIL 1, 2019</b> (unaudited)	6	250,601	15,708	611,623	877,938
Total comprehensive income for the period				53,086	53,086
<b>BALANCE AS AT JUNE 30, 2019</b> (unaudited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>664,709</u>	<u>931,024</u>
 <b>YEAR ENDED DECEMBER 31, 2019</b>					
<b>BALANCE AS AT JANUARY 1, 2019</b> (audited)	6	250,601	15,708	558,892	825,207
Total comprehensive income for the year				177,015	177,015
Dividend				(150,000)	(150,000)
<b>BALANCE AS AT DECEMBER 31, 2019</b> (audited)	<u>6</u>	<u>250,601</u>	<u>15,708</u>	<u>585,907</u>	<u>852,222</u>

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

**AIG ISRAEL INSURANCE COMPANY LTD.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

	Six-month period ended June 30		Three-month period ended June 30		Year ended December 31,
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
			NIS in thousands		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net cash provided by (used in) operations (Appendix A)	52,736	22,048	8,045	(11,997)	152,654
Interest paid	(264)	(316)	(129)	(155)	(607)
Interest received	30,576	33,071	10,464	10,694	59,133
Dividend received	-	865	-	865	1,421
Income taxes paid	(62,705)	(67,374)	(16,666)	(14,003)	(91,115)
Income taxes received	8,844	-	-	-	18,895
Net cash provided by (used in) operating activities	29,187	(11,706)	1,714	(14,596)	140,381
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Investment in property and equipment	(1,640)	(1,340)	(625)	(525)	(2,355)
Investment in intangible assets	(5,423)	(5,609)	(3,402)	(3,010)	(11,960)
Net cash used in investing activities	(7,063)	(6,949)	(4,027)	(3,535)	(14,315)
<b>CASH FLOWS FROM FINANCING ACTIVITIES -</b>					
Dividend paid to equity holders of the Company	-	-	-	-	(150,000)
Repayment of principal of lease liabilities	(2,631)	(2,578)	(1,319)	(1,292)	(5,183)
Net cash used in financing activities	(2,631)	(2,578)	(1,319)	(1,292)	(155,183)
<b>IMPACT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENT BALANCES</b>	337	(368)	399	(525)	(191)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	19,830	(21,601)	(3,233)	(19,948)	(29,308)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	57,998	87,306	81,061	85,653	87,306
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	77,828	65,705	77,828	65,705	57,998



**AIG ISRAEL INSURANCE COMPANY LTD.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**

	Six-month period ended		Three-month period ended		Year ended
	June 30		June 30		December 31,
	2020	2019	2020	2019	2019
	(Unaudited)		(Unaudited)		(Audited)
	NIS in thousands				
APPENDIX A - CASH FLOWS FROM OPERATING ACTIVITIES:					
Income (loss) for the period	(3,345)	105,817	60,922	53,086	177,015
Adjustments for:					
Income and expenses not involving cash flows:					
Change in liabilities for insurance contracts that are not yield dependent	32,843	65,353	(33,840)	9,844	18,899
Change in reinsurance assets	(6,555)	(31,522)	21,559	(19,317)	17,786
Change in deferred acquisition costs	(3,244)	(3,807)	4,431	5,742	243
Taxes on income	(859)	55,601	30,509	27,650	91,405
Change in retirement benefits obligation, net	150	99	150	(1)	2,222
Depreciation of property and equipment	4,566	4,814	2,281	2,359	9,305
Amortization of intangible assets	13,748	7,363	2,637	3,741	15,285
Losses (gains), net, on financial investments:					
Marketable debt instruments	98,978	(31,485)	(22,727)	(12,362)	(29,737)
Non-marketable debt instruments	4,858	5,951	52	1,599	(2,743)
Other	15,018	(3,723)	(6,674)	941	(7,223)
Impact of fluctuation in exchange rate on cash and cash equivalents	(337)	368	(399)	525	191
	159,166	69,012	(2,021)	20,721	115,633
Changes in assets and liabilities:					
Liabilities to reinsurers	(12,571)	(18,518)	(14,399)	(20,250)	(19,417)
Investments in financial assets, net	(28,279)	(76,606)	(29,276)	(55,306)	(60,334)
Premiums collectible	(6,252)	(18,426)	14,419	10,145	1,124
Other receivables	(9,612)	(5,325)	(5,033)	(3,416)	544
Other payables	(16,057)	(18,934)	(6,234)	(5,319)	(1,579)
Current tax assets (current tax liabilities), net	(2)	18,648	2	(254)	(385)
		(119,161)		(74,400)	
Adjustments for interest and dividend:					
Interest paid	264	316	129	155	607
Interest received	(30,576)	(33,071)	(10,464)	(10,694)	(59,133)
Dividend received	-	(865)	-	(865)	(1,421)
	(30,312)	(33,620)	(10,335)	(11,404)	(59,947)
Net cash provided by (used in) operations	52,736	22,048	8,045	(11,997)	152,654

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.**

## **AIG ISRAEL INSURANCE COMPANY LTD.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

#### **NOTE 1 - GENERAL:**

##### **A. Reporting Entity**

AIG Israel Insurance Company Ltd. ("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 ("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) Supervisor - Supervisor of the Capital Market, Insurance and Savings Authority.
- 3) The Supervision Law – The Supervision of Financial Services (Insurance) Law, 1981.
- 4) Investment contracts – policies that do not constitute insurance contracts.
- 5) Reinsurance assets – the reinsurer's share in the reserves for insurance contracts and in the contingent claims.
- 6) Outstanding claims - Known outstanding claims, with the addition of the expected progression of claims that have been incurred but not enough reported (I.B.N.E.R.) plus claims that have been Incurred but not reported (I.B.N.R).
- 7) Shareholders' Equity Regulations - The Supervision of Insurance Business Regulations (minimum shareholders' equity required from an insurer), 1998 and amendments as amended.
- 8) Insurance contract - A contract under which one party (the insurer) takes a significant insurance risk from another party (policyholder), by agreement to indemnify the policyholder if an uncertain a defined future event (insurance event) negatively affects the policyholder.
- 9) Liability for insurance contracts - Insurance reserves and outstanding claims.
- 10) Premiums - Premiums including fees and proceeds for related services
- 11) Premiums earned - premiums that relate to the reporting period.

## **AIG ISRAEL INSURANCE COMPANY LTD.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

#### **NOTE 1 – GENERAL (continued):**

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

In the reporting period, 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. Consequently, the Company made preparations to ensure its continued orderly operation as regarding the meeting of obligations to its customers and the adjustment of all aspects of its operations. These preparations included, inter alia, the following steps:

- Activation of the executive Incident Management Team for ongoing management of the Coronavirus Event and constant examination of the impact of scenarios of the Coronavirus Event on the operating segments and the current operating results of the Company.
- Execution of the Company’s program for full transition to remote work (managers and employees, including sales and service centers).
- Ongoing monitoring of developments and of the business and monetary implications on investments and on the various insurance sectors of the Company.
- Implementation of the directives issued by the Commissioner in relation to the Coronavirus Event.
- Holding of special meetings of the Board of Directors.
- Formulation of a plan for resuming operations at the offices of the Company, in conformity with the guidelines of the Ministry of Health.

In the first quarter of 2020, the Coronavirus Event and the lockdowns that were imposed in March 2020 had adversely affected the premium turnover of the Company, most notably in the vehicle insurance sectors and in the overseas travel insurance sector, which was completely shut down from the outset of the Coronavirus Event. The principal effect of the Coronavirus Event on the business results of the Company in said quarter is the sharp drop of prices in the Israeli capital market and in the global financial markets. In the first quarter, the Company incurred losses of approximately NIS 123.8 million on capital market investments. The effect on the comprehensive income, after tax, and on the equity of the Company is approximately NIS 81 million.

In the second quarter of 2020, as businesses gradually resumed full operations under various restrictions, quick recovery was recorded in the financial markets, and more notably in the Israeli bond market. As at the reporting date, losses on capital market investments reduced by approximately NIS 39.9 million since the beginning of the quarter (NIS 26.3 after tax). It should be noted that, in the period from the reporting date through to the date of publication of the financial statements, further recovery of the financial markets resulted in a reduction of NIS 40 million (NIS 26 million after tax) in losses on investments.

To the date of publication of the report, the State of Israel is undergoing a second wave of the pandemic. In July and August, the Israeli Government reinstated various restrictions on the public, even shutting down certain sectors, this in an attempt to reduce morbidity rates and avoid another general lockdown that would result in a significant downturn of the Israeli economy. At the same time, the Government announced the launch of a long-term economic plan that includes, inter alia, payment of additional grants and expansion of financial aid to businesses and companies that were materially affected by the coronavirus crisis, alongside extension of the periods of eligibility for unemployment benefits.

To the date of publication of the periodic report as at June 30, 2020, the Company does not expect a material adverse effect on the underwriting results of the Company in 2020 as a result of the Coronavirus Event.

**AIG ISRAEL INSURANCE COMPANY LTD.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

**NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

**A. Statement of compliance**

The condensed interim financial statements (hereinafter: "the interim financial information") has been prepared in accordance with the provisions of International Accounting Standard No. 34 - "Interim Financial Reporting" (hereinafter: "IAS 34") and do not include all of the information required for full annual financial statements, and in accordance with the disclosure requirements of the Supervision Law and the regulations promulgated thereunder. The interim financial information should be read in conjunction with the annual financial statements as of December 31, 2019 and for the year ended on that date (hereinafter – "the 2019 annual financial statements of the Company").

**B. Use of estimates and judgments**

The preparation of 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.

Other than as stated in note 3, 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 that applied to the annual 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.

## **AIG ISRAEL INSURANCE COMPANY LTD.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

#### **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 Supervisor, the segment is divided into the following sectors: the compulsory motor vehicle sector, the motor vehicle property sector, the apartment's insurance sector, other property sectors, the professional liability sector and other liability sectors

- **Compulsory motor vehicle sector**

The compulsory motor vehicle sector focuses on the provision of cover, the purchase of which, by the owner or driver of a vehicle, is compulsory by law. This insurance provides cover for bodily injury 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.

# AIG ISRAEL INSURANCE COMPANY LTD.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### NOTE 4 - SEGMENT INFORMATION (continued):

#### C. General insurance segment (continued):

- **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.

	6-month period ended June 30, 2020 (unaudited)			
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
	NIS in thousands			
				Total
Gross earned premiums	74,517	81,968	418,548	575,033
Premiums earned by reinsurers	(14,591)	(1,399)	(79,656)	(95,646)
<b>Premiums earned in retention</b>	<b>59,926</b>	<b>80,569</b>	<b>338,892</b>	<b>479,387</b>
Investment gains (losses), net, and financing income	2	(3,572)	(43,336)	(36,977)
Commission income	4,699	141	20,406	25,246
<b>Total income</b>	<b>64,627</b>	<b>77,138</b>	<b>315,962</b>	<b>420,750</b>
Payments and change in liabilities with respect to insurance contracts, gross	(22,214)	(33,975)	(269,211)	(325,400)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	5,917	1,054	58,428	65,399
Payments and change in liabilities with respect to insurance contracts, in retention	(16,297)	(32,921)	(210,783)	(260,001)
Commissions and other acquisition costs	(18,774)	(21,562)	(77,750)	(118,086)
General and administrative expenses	(8,000)	(11,306)	(26,510)	(45,816)
Financing income (expenses), net	-	-	763	(1,814)
<b>Total comprehensive income (loss) before taxes on income</b>	<b>21,556</b>	<b>11,349</b>	<b>1,682</b>	<b>(38,791)</b>
Liabilities for insurance contracts, gross, as at June 30, 2020	59,506	91,981	1,785,562	1,937,049

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

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

	6-month period ended June 30, 2019 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	Total
	NIS in thousands				
Gross earned premiums	66,328	99,488	415,711		581,527
Premiums earned by reinsurers	(13,785)	(1,472)	(80,844)		(96,141)
<b>Premiums earned in retention</b>	<b>52,543</b>	<b>98,016</b>	<b>334,827</b>		<b>485,386</b>
Investment gains, net	2	3,985	37,990	26,216	68,193
Commission income	4,398	140	21,283		25,821
<b>Total income</b>	<b>56,943</b>	<b>102,141</b>	<b>394,100</b>	<b>26,216</b>	<b>579,400</b>
Payments and change in liabilities with respect to insurance contracts, gross	(26,407)	(42,310)	(261,869)		(330,586)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	9,040	923	60,423		70,386
Payments and change in liabilities with respect to insurance contracts, in retention	(17,367)	(41,387)	(201,446)		(260,200)
Commissions and other acquisition costs	(19,645)	(24,613)	(77,449)		(121,707)
General and administrative expenses	(5,699)	(12,570)	(18,569)		(36,838)
Financing income (expenses), net	-	-	771	(8)	763
<b>Total comprehensive income before taxes on income</b>	<b>14,232</b>	<b>23,571</b>	<b>97,407</b>	<b>26,208</b>	<b>161,418</b>
Liabilities for insurance contracts, gross, as at June 30, 2019	62,487	119,104	1,769,069		1,950,660
<b>3-month period ended June 30, 2020 (unaudited)</b>					
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	Total
	NIS in thousands				
	NIS in thousands				
Gross earned premiums	37,007	37,415	211,159		285,581
Premiums earned by reinsurers	(7,111)	(699)	(40,691)		(48,501)
<b>Premiums earned in retention</b>	<b>29,896</b>	<b>36,716</b>	<b>170,468</b>		<b>237,080</b>
Investment gains, net	1	1,805	21,300	16,812	39,918
Commission income	2,284	70	9,74		12,328
<b>Total income</b>	<b>32,181</b>	<b>38,591</b>	<b>201,742</b>	<b>16,812</b>	<b>289,326</b>
Payments and change in liabilities with respect to insurance contracts, gross	(10,405)	(11,825)	(114,354)		(136,584)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	3,338	404	14,520		18,262
Payments and change in liabilities with respect to insurance contracts, in retention	(7,067)	(11,421)	(99,834)		(118,322)
Commissions and other acquisition costs	(9,715)	(9,843)	(40,817)		(60,375)
General and administrative expenses	(3,846)	(5,360)	(8,303)		(17,509)
Financing income (expenses), net	-	-	358	(2,047)	(1,689)
<b>Total comprehensive income before taxes on income</b>	<b>11,553</b>	<b>11,967</b>	<b>53,146</b>	<b>14,765</b>	<b>91,431</b>

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

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

3-month period ended June 30, 2019 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
	NIS in thousands			Total
Gross earned premiums	34,560	49,890	209,270	293,720
Premiums earned by reinsurers	(6,750)	(737)	(39,087)	(46,574)
<b>Premiums earned in retention</b>	27,810	49,153	170,183	247,146
Investment gains, net	1	1,463	13,638	7,420
Commission income	2,245	71	10,775	13,091
<b>Total income</b>	30,056	50,687	194,596	7,420
Payments and change in liabilities with respect to insurance contracts, gross	(13,018)	(19,259)	(133,198)	(165,475)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	5,970	356	37,659	43,985
Payments and change in liabilities with respect to insurance contracts, in retention	(7,048)	(18,903)	(95,539)	(121,490)
Commissions and other acquisition costs	(10,029)	(12,170)	(41,913)	(64,112)
General and administrative expenses	(2,821)	(5,973)	(9,074)	(17,868)
Financing income	-	-	353	1,094
<b>Total comprehensive income (loss) before taxes on income</b>	10,158	13,641	48,423	8,514
Year ended December 31, 2019 (audited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments
	NIS in thousands			Total
Gross earned premiums	137,810	204,157	839,175	1,181,142
Premiums earned by reinsurers	(27,393)	(2,933)	(165,301)	(195,627)
<b>Premiums earned in retention</b>	110,417	201,224	673,874	985,515
Investment gains, net, and financing income	5	5,768	52,446	37,128
Commission income	9,162	279	42,934	52,375
<b>Total income</b>	119,584	207,271	769,254	37,128
Payments and change in liabilities with respect to insurance contracts, gross	(46,903)	(82,101)	(493,063)	(622,067)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	13,945	1,426	65,515	80,886
Payments and change in liabilities with respect to insurance contracts, in retention	(32,958)	(80,675)	(427,548)	(541,181)
Commissions and other acquisition costs	(40,379)	(47,003)	(156,405)	(243,787)
General and administrative expenses	(13,045)	(25,570)	(41,690)	(80,305)
Financing income (expenses), net	-	-	1,525	(1,069)
<b>Total comprehensive income before taxes on income</b>	33,202	54,023	145,136	36,059

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



**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

**Additional information relating to general insurance segment:**

	6-month period ended June 30, 2020 (unaudited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS in thousands						
Gross premiums	98,248	195,861	67,447	41,688	15,876	17,485	436,605
Reinsurance premiums	1,351	-	(6,962)	(37,965)	(15,772)	(15,140)	(77,190)
Premiums in retention	96,897	195,861	60,485	3,723	104	2,345	359,415
Change in balance of unearned premiums, in retention	(7,180)	(11,162)	(1,917)	(391)	53	74	(20,523)
<b>Premiums earned in retention</b>	89,717	184,699	58,568	3,332	157	2,419	338,892
Investment losses, net	(20,030)	(8,811)	(3,826)	(5,198)	(861)	(4,610)	(43,336)
Commission income	-	-	575	10,664	5,436	3,731	20,406
<b>Total income</b>	69,687	175,888	55,317	8,798	4,732	1,540	315,962
Payments and changes in liabilities for insurance contracts, gross	(72,948)	(109,355)	(32,791)	(15,578)	(32,019)	(6,520)	(269,211)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	7,378	-	821	12,868	31,316	6,045	58,428
Payments and change in liabilities for insurance contracts, in retention	(65,570)	(109,355)	(31,970)	(2,710)	(703)	(475)	(210,783)
Commissions and other acquisition costs	(12,934)	(30,330)	(15,589)	(9,662)	(5,206)	(4,029)	(77,750)
General and administrative expenses	(7,316)	(12,622)	(5,555)	(573)	(275)	(169)	(26,510)
Financing income, net	-	316	425	11	-	11	763
<b>Total expenses</b>	(85,820)	(151,991)	(52,689)	(12,934)	(6,184)	(4,662)	(314,280)
<b>Total comprehensive income (loss) before taxes on income</b>	(16,133)	23,897	2,628	(4,136)	(1,452)	(3,122)	1,682
Liabilities with respect to insurance contracts, gross, as at June 30, 2020	760,237	276,321	132,489	265,683	98,306	252,526	1,785,562
Net liabilities with respect to insurance contracts as at June 30, 2020	610,749	276,321	125,449	39,981	1,718	39,844	1,094,062

\* Other property sectors reflect mainly the results of the property insurance sector, which accounts for 100% of the total premiums attributable to these sectors.  
Other liability sectors reflect mainly the results of the third-party liability insurance sector, which accounts for 45% of the total premiums attributable to these sectors.

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

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

	6-month period ended June 30, 2019 (unaudited)						
	Compulsory motor vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS in thousands						
Gross premiums	93,870	194,418	63,917	40,265	27,632	23,146	443,248
Reinsurance premiums	(1,279)	-	(6,610)	(36,928)	(27,389)	(19,997)	(92,203)
Premiums in retention	92,591	194,418	57,307	3,337	243	3,149	351,045
Change in balance of unearned premiums, in retention	(4,773)	(8,248)	(2,598)	(169)	133	(563)	(16,218)
<b>Premiums earned in retention</b>	87,818	186,170	54,709	3,168	376	2,586	334,827
Investment gains, net	16,768	8,131	2,805	5,067	845	4,374	37,990
Commission income	-	-	589	10,414	6,278	4,002	21,283
<b>Total income</b>	104,586	194,301	58,103	18,649	7,499	10,962	394,100
Payments and changes in liabilities for insurance contracts, gross	(51,267)	(121,028)	(27,225)	(19,190)	(26,188)	(16,971)	(261,869)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	1,613	-	434	17,602	27,093	13,681	60,423
Payments and change in liabilities for insurance contracts, in retention	(49,654)	(121,028)	(26,791)	(1,588)	905	(3,290)	(201,446)
Commissions, marketing expenses and other acquisition costs	(12,823)	(32,160)	(15,237)	(9,220)	(4,033)	(3,976)	(77,449)
General and administrative expenses	(4,298)	(6,733)	(6,468)	(502)	(318)	(250)	(18,569)
Financing income, net	-	351	405	6	-	9	771
<b>Total expenses</b>	(66,775)	(159,570)	(48,091)	(11,304)	(3,446)	(7,507)	(296,693)
<b>Total comprehensive income (loss) before taxes on income</b>	37,811	34,731	10,012	7,345	4,053	3,455	97,407
Liabilities with respect to insurance contracts, gross, as of June 30, 2018	693,010	290,654	110,073	286,441	110,805	278,086	1,769,069
Net liabilities with respect to insurance contracts as of June 30, 2018	549,581	290,654	103,853	46,868	2,048	42,151	1,035,156

\* 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 liability insurance sector, which accounts for 41% of the total premiums attributable to these sectors.

# AIG ISRAEL INSURANCE COMPANY LTD.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### NOTE 4 - SEGMENT INFORMATION (continued):

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

	3-month period ended June 30, 2020 (unaudited)						
	Compulsory motor vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS in thousands						
Gross premiums	44,012	83,139	31,076	15,963	4,521	6,043	184,754
Reinsurance premiums	(599)	-	(4,009)	(14,608)	(4,508)	(5,209)	(28,933)
Premiums in retention	43,413	83,139	27,067	1,355	13	834	155,821
Change in balance of unearned premiums, in retention	2,136	9,379	2,409	347	22	354	14,647
<b>Premiums earned in retention</b>	45,549	92,518	29,476	1,702	35	1,188	170,468
Investment gains, net	9,924	4,063	1,817	2,548	449	2,499	21,300
Commission income	-	-	289	5,378	2,551	1,756	9,974
<b>Total income</b>	55,473	96,581	31,582	9,628	3,035	5,443	201,742
Payments and change in insurance liabilities for insurance contracts, gross	(39,035)	(45,790)	(16,063)	(5,755)	(7,498)	(213)	(114,354)
Share of reinsurers in payments and change in insurance liabilities for insurance contracts	2,937	-	216	4,683	7,041	(357)	14,520
Payments and change in liabilities for insurance contracts, in retention	(36,098)	(45,790)	(15,847)	(1,072)	(457)	(570)	(99,834)
Commissions and other acquisition costs	(6,992)	(16,178)	(8,059)	(4,997)	(2,585)	(2,006)	(40,817)
General and administrative expenses	(2,092)	(3,043)	(2,683)	(274)	(131)	(80)	(8,303)
Financing income, net	-	152	200	2	-	4	358
<b>Total expenses</b>	(45,182)	(64,859)	(26,389)	(6,341)	(3,173)	(2,652)	(148,596)
<b>Total comprehensive income (loss) before taxes on income</b>	10,291	31,722	5,193	3,287	(138)	2,791	53,146

\* Other property sectors reflect mainly the results of the property insurance sector, which accounts for 100% of the total premiums attributable to these sectors.  
Other liability sectors reflect mainly the results of the third-party liability insurance sector, which accounts for 39% of the total premiums attributable to these sectors.

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

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

	3-month period ended June 30, 2019 (unaudited)						
	Compulsory motor vehicle	Motor vehicle Property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS in thousands						
Gross premiums	42,406	84,455	30,122	14,570	10,414	10,160	192,127
Reinsurance premiums	(565)	-	(3,801)	(13,313)	(10,387)	(8,747)	(36,813)
Premiums in retention	41,841	84,455	26,321	1,257	27	1,413	155,314
Change in balance of unearned premiums, in retention	3,296	9,850	1,614	220	74	(185)	14,869
<b>Premiums earned in retention</b>	45,137	94,305	27,935	1,477	101	1,228	170,183
Investment gains, net	5,935	2,965	1,033	1,885	304	1,516	13,638
Commission income	-	-	286	5,258	3,176	2,055	10,775
<b>Total income</b>	51,072	97,270	29,254	8,620	3,581	4,799	194,596
Payments and change in insurance liabilities for insurance contracts, gross	(14,198)	(60,349)	(15,916)	(12,354)	(16,734)	(13,647)	(133,198)
Share of reinsurers in payments and change in insurance liabilities for insurance contracts	(1,537)	-	814	9,563	17,910	10,909	37,659
Payments and change in liabilities for insurance contracts, in retention	(15,735)	(60,349)	(15,102)	(2,791)	1,176	(2,738)	(95,539)
Commissions, marketing expenses and other acquisition costs	(6,921)	(18,277)	(7,705)	(4,861)	(2,220)	(1,929)	(41,913)
General and administrative expenses	(2,089)	(3,274)	(3,189)	(245)	(155)	(122)	(9,074)
Financing income, net	-	154	189	5	-	5	353
<b>Total expenses</b>	(24,745)	(81,746)	(25,807)	(7,892)	(1,199)	(4,784)	(146,173)
<b>Total comprehensive income (loss) before taxes on income</b>	26,327	15,524	3,447	728	2,382	15	48,423

\* Other property sectors reflect mainly the results of the property insurance sector, which accounts for 97% of the total premiums attributable to these sectors.  
Other liability sectors reflect mainly the results of the third-party liability insurance sector, which accounts for 42% of the total premiums attributable to these sectors.

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

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

	Year ended December 31, 2019 (audited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors*	Total
	NIS thousands						
Gross premiums	176,612	368,483	128,123	74,648	48,243	35,832	834,941
Reinsurance premiums	(2,453)	-	(11,111)	(67,988)	(47,751)	(30,743)	(160,046)
Premiums in retention	177,159	368,483	117,012	6,660	492	5,089	674,895
Change in balance of unearned premiums, in retention	(1,113)	3,809	(3,655)	(251)	200	(11)	(1,021)
<b>Premiums earned in retention</b>	176,046	372,292	113,357	6,409	692	5,078	673,874
Investment gains, net	23,277	11,336	4,135	6,549	1,160	5,989	52,446
Commission income	-	-	1,143	20,774	13,089	7,928	42,934
<b>Total income</b>	199,323	383,628	118,635	33,732	14,941	18,995	769,254
Payments and change in insurance liabilities for insurance contracts, gross	(141,639)	(229,708)	(63,766)	(19,792)	(27,680)	(10,478)	(493,063)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	8,738	-	1,750	21,396	28,061	5,570	65,515
Payments and change in insurance liabilities for insurance contracts, in retention	(132,901)	(229,708)	(62,016)	1,604	381	(4,908)	(427,548)
Commissions, marketing expenses and other acquisition costs	(26,745)	(63,984)	(29,663)	(19,467)	(8,722)	(7,824)	(156,405)
General and administrative expenses	(10,267)	(15,756)	(13,798)	(1,068)	(498)	(303)	(41,690)
Financing income	-	695	798	16	-	16	1,525
<b>Total expenses</b>	(169,913)	(308,753)	(104,679)	(18,915)	(8,839)	(13,019)	(624,118)
<b>Total comprehensive income before taxes on income</b>	29,410	74,875	13,956	14,817	6,102	5,976	145,136
Liabilities with respect to insurance contracts, gross, as at December 31, 2019	738,523	266,120	123,199	258,852	95,846	255,425	1,737,965
Liabilities with respect to insurance contracts, in retention as at Dec. 31, 2019	589,271	266,120	116,415	38,470	1,714	41,905	1,053,085

\* Other property sectors reflect mainly the results of property insurance, which accounts for 97% of total premiums in these sectors.  
Other liability sectors reflect mainly the results of third-party liability insurance, which accounts for 46% of total premiums in these sectors.

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

**4.1 Additional information relating to life insurance segment:**

**6-month period ended June 30, 2020 (unaudited) (NIS in thousands):**

	<b>Policies not containing savings element</b>	<b>Total</b>
	<b>Risk sold as single policy</b>	
	<b>Private</b>	
	<b>NIS thousands</b>	
Gross risk premiums	74,727	74,727
Payments and change in liabilities for insurance contracts, gross	22,214	22,214

**6-month period ended June 30, 2019 (unaudited) (NIS in thousands):**

	<b>Policies not containing savings element</b>	<b>Total</b>
	<b>Risk sold as single policy</b>	
	<b>Private</b>	
	<b>NIS thousands</b>	
Gross risk premiums	68,419	68,419
Payments and change in liabilities for insurance contracts, gross	26,407	26,407

**3-month period ended June 30, 2020 (unaudited) (NIS in thousands):**

	<b>Policies not containing savings element</b>	<b>Total</b>
	<b>Risk sold as single policy</b>	
	<b>Private</b>	
	<b>NIS thousands</b>	
Gross risk premiums	37,653	37,653
Payments and change in liabilities for insurance contracts, gross	10,405	10,405

**3-month period ended June 30, 2019 (unaudited) (NIS in thousands):**

	<b>Policies not containing savings element</b>	<b>Total</b>
	<b>Risk sold as single policy</b>	
	<b>Private</b>	
	<b>NIS thousands</b>	
Gross risk premiums	34,735	34,735
Payments and change in liabilities for insurance contracts, gross	13,018	13,018

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

**Year ended December 31, 2019 (audited) (NIS in thousands):**

	<b>Policies not containing savings element</b>	<b>Total</b>
	<b>Risk sold as single policy</b>	
	<b>Private</b>	
	<b>NIS thousands</b>	
Gross risk premiums	140,351	140,351
Payments and change in liabilities for insurance contracts, gross	46,903	46,903

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

**6-month period ended June 30, 2020 (unaudited) (NIS in thousands):**

	<b>Long-term</b>	<b>Short-term</b>	<b>Total</b>
Gross premiums	74,957	4,719	** 79,676
Payments and change in liabilities for insurance contracts, gross	32,181	1,794	33,975

\*\* Consists primarily of policies issued to individuals.

**6-month period ended June 30, 2019 (unaudited) (NIS in thousands):**

	<b>Long-term</b>	<b>Short-term</b>	<b>Total</b>
Gross premiums	84,572	15,996	** 100,568
Payments and change in liabilities for insurance contracts, gross	35,965	6,345	42,310

\*\* Consists primarily of policies issued to individuals.

**3-month period ended June 30, 2020 (unaudited) (NIS in thousands):**

	<b>Long-term</b>	<b>Short-term</b>	<b>Total</b>
Gross premiums	36,642	103	** 36,745
Payments and change in liabilities for insurance contracts, gross	15,845	(4,020)	11,825

\*\* Consists primarily of policies issued to individuals.

**3-month period ended June 30, 2019 (unaudited) (NIS in thousands):**

	<b>Long-term</b>	<b>Short-term</b>	<b>Total</b>
Gross premiums	41,390	9,736	** 51,126
Payments and change in liabilities for insurance contracts, gross	17,866	1,393	19,259

\*\* Consists primarily of policies issued to individuals.

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 4 - SEGMENT INFORMATION** (continued):

**Year ended December 31, 2019 (audited) (NIS in thousands):**

	<u>Long-term</u>	<u>Short-term</u>	<u>Total</u>
Gross premiums	164,440	39,776	* 204,216
Payments and change in liabilities for insurance contracts, gross	<u>72,076</u>	<u>10,025</u>	<u>82,101</u>

\*\* Consists primarily of policies issued to individuals.

**NOTE 5 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS:**

**A. Capital management and requirements**

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

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

- On June 1, 2017, the Commissioner issued a circular on the provisions for implementing a Solvency II-based regime. The provisions of the circular are mostly based on the quantitative tier of the related European directive, adjusted for the Israeli market.
- On July 7, 2019, the Company received the Commissioner's approval of the audit of the capital ratio report that it had submitted pursuant to the guidelines, and is therefore no longer subject to the old Capital Regulations concerning the "minimum capital required" and now fully follows an economic solvency ratio regime.
- The directives of the Commissioner prescribe, inter alia, transitional provisions that allow the gradual deployment of the capital requirements until December 31, 2024.
- 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.
- According to the solvency ratio report as of December 31, 2019, the Company has surplus capital independent of the transitional provisions. For additional information, see Section 3 (Solvency-II-based economic solvency regime in insurance companies) of the Directors' Report.



**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**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 6 months ended June 30, 2018, 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 d. below.

**C. Composition of financial investments**

<b>June 30, 2020 (unaudited)</b>			
	<b>Measured at fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Total</b>
	<b>NIS in thousands</b>		
Marketable debt instruments (1)	1,728,167	-	1,728,167
Non-marketable debt instruments (2)	-	82,706	82,706
Other (3)	84,719	-	84,719
<b>Total</b>	<b>1,812,886</b>	<b>82,706</b>	<b>1,895,592</b>
<b>June 30, 2019 (unaudited)</b>			
	<b>Measured at fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Total</b>
	<b>NIS in thousands</b>		
Marketable debt instruments (1)	1,840,084	-	1,840,084
Non-marketable debt instruments (2)	-	70,448	70,448
Other (3)	81,461	-	81,461
<b>Total</b>	<b>1,921,545</b>	<b>70,448</b>	<b>1,991,993</b>
<b>December 31, 2019 (audited)</b>			
	<b>Measured at fair value through profit or loss</b>	<b>Loans and receivables</b>	<b>Total</b>
	<b>NIS in thousands</b>		
Marketable debt instruments (1)	1,796,238	-	1,796,238
Non-marketable debt instruments (2)	-	90,192	90,192
Other (3)	99,737	-	99,737
<b>Total</b>	<b>1,895,975</b>	<b>90,192</b>	<b>1,986,167</b>

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 6 - FINANCIAL INSTRUMENTS AND FINANCIAL RISKS** (continued):

**C. Composition of financial investments** (continued):

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

<b>June 30, 2020 (unaudited)</b>	
<b>Carrying amount</b>	<b>Amortized cost</b>
<b>NIS in thousands</b>	
Government bonds	677,782
<u>Other debt assets:</u>	
Other non-convertible debt assets	1,050,385
Total marketable debt assets	<u>1,728,167</u>

<b>June 30, 2019 (unaudited)</b>	
<b>Carrying amount</b>	<b>Amortized Cost</b>
<b>NIS in thousands</b>	
Government bonds	678,187
<u>Other debt assets:</u>	
Other non-convertible debt assets	1,161,897
Total marketable debt assets	<u>1,840,084</u>

<b>December 31, 2019 (audited)</b>	
<b>Carrying amount</b>	<b>Amortized cost</b>
<b>NIS in thousands</b>	
Government bonds	680,128
<u>Other debt assets:</u>	
Other non-convertible debt assets	1,116,110
Total marketable debt assets	<u>1,796,238</u>

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

<b>June 30, 2020 (unaudited)</b>	
<b>Carrying amount</b>	<b>Fair value</b>
<b>NIS in thousands</b>	
Bank deposits	880
Presented at amortized cost, except bank deposits	81,826
Total non-marketable debt assets	<u>82,706</u>

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 6 - FINANCIAL INSTRUMENTS AND FINANCIAL RISKS** (continued):

**C. Composition of financial investments** (continued):

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

	<b>June 30, 2019 (unaudited)</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
	<b>NIS in thousands</b>	
Bank deposits	1,022	1,295
Presented at amortized cost, except bank deposits	69,426	70,576
Total non-marketable debt assets	<u>70,448</u>	<u>71,871</u>

	<b>December 31, 2019 (audited)</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
	<b>NIS in thousands</b>	
Bank deposits	1,046	1,303
Presented at amortized cost, except bank deposits	89,146	90,488
Total non-marketable debt assets	<u>90,192</u>	<u>91,791</u>

3) **Composition of other financial investments** (designated upon initial recognition at fair value through profit or loss):

	<b>June 30, 2020 (unaudited)</b>	
	<b>Carrying amount</b>	<b>Cost</b>
	<b>NIS in thousands</b>	
Marketable financial investments	<u>84,719</u>	<u>97,746</u>

	<b>June 30, 2019 (unaudited)</b>	
	<b>Carrying amount</b>	<b>Cost</b>
	<b>NIS in thousands</b>	
Marketable financial investments	<u>81,461</u>	<u>83,648</u>

	<b>December 31, 2019 (audited)</b>	
	<b>Carrying amount</b>	<b>Cost</b>
	<b>NIS in thousands</b>	
Marketable financial investments	<u>99,737</u>	<u>97,746</u>

## **AIG ISRAEL INSURANCE COMPANY LTD.**

### **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

#### **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 this 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, which is based on the opinion of its legal counsel as to the chances of such proceedings, the provisions included in the financial statements, where necessary, are sufficient to cover damages from such claims. The provision included in the financial statements is in an immaterial amount.

#### **A. Motions to certify class actions:**

1. On June 9, 2016, a petition for certification of a class action was filed against the Company. The claim alleges that the Company did not pay salary and social benefits as required by law. The total amount of the class action, as estimated in the petition, is NIS 9,769 thousand.

The response of the Company to the petition to certify the claim as class action was filed on January 1, 2017. The petitioners filed their response to the Company's response on June 1, 2017. Concurrently, the petitioners filed a motion for discovery of documents. On October 1, 2017, the Company submitted its response to the motion for discovery of documents.

A pretrial hearing in the case was held on February 12, 2018.

Recently, the petitioners, with the consent of the Company, submitted a motion for the stay of proceedings pending a ruling in the appeal that had been filed with the High Court of Justice in relation to the National Labor Court's ruling in another case concerning overtime. On July 15, 2018, the court approved the stay of proceedings pending the ruling of the High Court of Justice, which has yet to be issued.

In the opinion of management of the Company, at present, in view of the aforesaid ruling of the National Labor Court, the chances of the petition being accepted are low.

2. On January 8, 2017, a petition to certify a class action was filed against the Company and another insurance company.

The plaintiffs allege the overcharging of policy holders 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 policyholders to discounted insurance rates.

The total amount claimed for all class members in relation to the respondent is estimated at NIS 12,250 thousand. The amount of personal damages sought of the Company is negligible. This legal proceeding commenced on June 18, 2017.

**AIG ISRAEL INSURANCE COMPANY LTD.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

**NOTE 7 - CONTINGENT LIABILITIES (continued):**

**A. Motions to certify class actions (continued):**

2. (continued)

On July 10, 2019, the respondents submitted their response to the court's related inquiry. On July 18, 2019, the court accepted the parties' joint motion for a procedural arrangement. Evidentiary hearings were held in the period from December 2019 to March 2020. On March 12, 2020, seven additional evidentiary hearings in the case have been scheduled for the period from July 2020 to November 2020.

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

3. On April 27, 2017, a petition to certify a class action was filed against the Company and two other insurance companies. The plaintiffs argue that insurance companies overcharged credit fees of policy holders who paid premiums in installments, in excess of the rates permitted by law and/or the interest rates presented in the policies. It was alleged that the Company has caused an estimated damage of NIS 20,879 thousand over seven years.

The deadline for the response to the certification petition was extended for the purpose of attempting to reach a compromise in the case. As part of the understandings, an auditor was appointed on behalf of the plaintiff, which has reviewed and confirmed extent of exposure that had been declared by the Company. The parties are currently negotiating a compromise on the basis of the declared extent of exposure.

The parties reached a compromise that was submitted to the court for approval. According to the arrangement, no compensation will be payable to former policy holders, but rather the amount will be paid by way of a future discount on credit fees that will be granted by the Company. This amount also includes fees and remuneration to the plaintiff and its representative. A similar compromise with Shirbit was submitted to the court for approval.

The court has ordered the issue of notifications on the compromise agreements. Following the issue of the notifications, the members of the class in the claim against Shirbit filed an objection. The court requested the Company to supply data as to the amount of benefit for each member of the class, so that it may rule on the motion to approve the compromise agreement.

Since the compromise is based on compromises previously approved by the court in relation to similar motions against other insurance companies, management of the Company believes, based on the opinion of its legal counsel, that the compromise is more likely to be approved than rejected by the court.

In the opinion of the Company's management, which is based on the opinion of its legal counsel, this claim will not have a material effect on the financial statements.

4. On September 14, 2017, a petition to certify a class action against was filed against 13 insurance companies, including the Company (the "Respondents").

The petitioners allege that the Respondents refrain from adding linkage differentials and/or interest to amounts ruled by a judicial authority, thereby violating Section 5(b) of the Adjudication of Interest and Linkage Law, 5721-1961 (hereinafter: "the Law"). They argue that according to the Law, in cases where the debtor does not pay his debt on time, the linkage differentials, the ordinary interest rate and the interest on arrears should be added to this amount, starting from the date on which the debtor must pay the debt to the date of actual payment.

The personal damage of the plaintiff against the Company is negligible. The petitioners, in the absence of precise data regarding the total damage relating to the Company, estimate it at tens of millions of shekels. Following the court's approval of two extension requests by the petitioners, on October 10, 2018, the petitioners submitted their response to the Respondents' response to the motion to certify the claim as a class action. On November 5, 2018, the court accepted the Respondents' motion to postpone the date of the hearing.

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 7 - CONTINGENT LIABILITIES (continued):**

**A. Motions to certify class actions (continued):**

4. (continued)

This legal proceeding commenced on February 19, 2019. On March 13, 2019, some of the respondents submitted their response, expressing their consent to the court's suggestion to refer the case to mediation. Several mediation sessions have been held since June 26, 2019 and the mediation proceeding is still in progress.

On June 18, 2020, the parties submitted an update to the court, pursuant to which they are continuing their discussions in an attempt to reach conclusive understandings. The parties have also requested to submit an additional update to the court concerning the mediation proceeding by July 17, 2020. On the same day, the court approved the request and added that the parties are to pursue the conclusion of the mediation proceeding by July 17, 2020. On July 19, 2020, the parties submitted a further update, according to which they have made considerable progress in relation to the mediation proceeding, with only one point of contention remaining with respect to said arrangement. Accordingly, the parties have requested to submit an additional update to the court on the mediation proceeding by August 2, 2020. The court approved the request on the same day.

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

5. On January 16, 2018, a claim and a petition to certify it as a class action were filed against the Company and 5 other insurance companies in the matter of refraining from paying the VAT component that applies to the cost of the damages in cases in which the alleged damages were not actually repaired to their policy holders and/or to third parties. The petitioner estimates the compensation due to members of the class for each year in respect of the Company in the amount of NIS 5,744 thousand.

The Company, together with the other insurance companies included in the claim, submitted to the court a motion for the striking in limine of the certification petition, on the principal grounds that the matter is not appropriate for the filing of claim by an organization. The motion was rejected by the Court. The Company has submitted its response to the certification motion and the petitioner submitted its response to those of the respondents.

Shortly before the hearing, all respondents submitted a motion to strike the petitioner's response in the light of new arguments and new documents that were attached. The petitioner has recently submitted its response. Subsequently, a ruling was given, rejecting the striking of the petitioners' response, but permitting the respondents to respond jointly. A response has yet to be submitted.

On November 13, 2018, a pre-trial hearing was held in the case, in which the court suggested that the class be limited to policyholders only and the withdrawal of all arguments pertaining to third parties. The court also noted that the relevant period for policyholders is 3 years back from January 1, 2018 in view of the statute of limitations, and for third parties – 7 years. Evidentiary hearings in the case have been scheduled for June 2020. At the conclusion of the evidentiary hearings, summations have been scheduled.

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

6. On June 17, 2019, a claim and a petition to certify it as a class action were filed against the Company, alleging the unlawful charging of linkage differences from the policyholders by the respondent and the breach of its duties to policyholders under home insurance premium payments as regarding linkage differences. The total amount claimed for all class members in relation to the respondent is estimated at NIS 2,500 thousand.

The Company is required to submit a response to the certification petition by November 17, 2019. The petitioner is required to submit its response to the response to the certification petition by December 17, 2019. A pretrial hearing was scheduled for January 1, 2020.

**AIG ISRAEL INSURANCE COMPANY LTD.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

**NOTE 7 - CONTINGENT LIABILITIES (continued):**

**A. Motions to certify class actions (continued):**

6. (continued)

In the period from November 2019 to February 2020, the parties have submitted several notifications to the court regarding their negotiation of a possible arrangement. On this basis, they requested that the court extend the date for the submission of a response to the certification petition and postpone the date of the hearing. The court accepted the motion.

The negotiations resulted in an agreed plan for withdrawal of the certification petition and postponement of the personal claim, this in accordance with the understandings reached, and on March 29, 2020 a joint petition for withdrawal was filed. On the same date, the court ordered the respondent to furnish a document backed by an affidavit. On April 6, 2020, the respondent submitted a document backed by an affidavit. To the date of this report, a ruling has yet to be issued on the petition for withdrawal. The pre-trial hearing scheduled for April 22, 2020 has been postponed.

On May 14, 2020, the court ruled against the motion for withdrawal, this in view of a number of reservations, and determined that the matter will be discussed at the pre-trial hearing. The court also suggested that the parties should try and formulate a new agreement. A pre-trial hearing in the case has been scheduled for October 14, 2020.

Management of the Company and its legal counsel believe that amendments may be made to the withdrawal agreement and that, subject to the approval of the withdrawal plan, the risk ensuing from the case relates to the respondent's undertakings in the first withdrawal arrangement.

7. On December 31, 2019, a claim and a petition to certify it as a class action were filed against the Company and IMA. The holder of an overseas travel insurance policy alleges the breach of a duty of disclosure in an overseas travel insurance policy and negligence.

The plaintiff, who had purchased an AIG Travel insurance policy from the Company and was injured during a ski vacation in France, alleges that the Company is in breach of its duties to the customers, by failing to disclose that there is no coverage for follow-up treatment in Israel; he argues that this is not specified in the policy (as an exclusion) and was also not disclosed to him verbally in his conversations with the IMA emergency call center operating on behalf of the Company. It is also alleged that the Company does not deliver the complete terms of the insurance policy to its policyholders.

The plaintiff estimates his personal damage at NIS 35,000 and the damage for all class members (based on an estimated 20 cases per year, over seven years) at NIS 4,900,000 (alternatively, compensation of NIS 5 per day overseas for each of the policyholders - NIS 8,750,000). He further demands that the Company be required to provide proper disclosure regarding this coverage and to deliver the complete insurance policy to policyholders.

A pre-trial hearing was held on June 22, 2020. The court encouraged the plaintiff to withdraw the claim at this stage, without adjudication of costs. The plaintiff chose to continue the proceeding. An additional pre-trial hearing has been scheduled for December 19, 2020.

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.

8. On January 16, 2020, a claim and a petition to certify it as a class action were filed against the Company and 3 other companies. The claim alleges that the Company does not provide original windowpanes with Israeli accreditation to policyholders as stipulated in the terms of service concerning windowpanes.

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

**AIG ISRAEL INSURANCE COMPANY LTD.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

**NOTE 7 - CONTINGENT LIABILITIES (continued):**

**A. Motions to certify class actions (continued):**

8. (continued)

On July 29, 2020, the respondents filed a motion for extension of the date of submission of a response to the certification petition and for postponement of the pre-trial hearing. On the same day, the court accepted the motion, requiring the respondents to submit a response to the certification petition by September 30, 2020, and postponed the pre-trial hearing to January 13, 2021.

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

9. On April 19, 2020, a claim and a petition to certify it as a class action were filed against the Company and 11 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 total amount claimed for all class members in relation to the Company is estimated at NIS 47 million.

The respondents are required to submit a response to the certification petition by September 24, 2020. The petitioners are required to submit a response to the response to the petition by November 2, 2020.

On April 20, 2020, a ruling was given, pursuant to which perusal of the petition suggests that it does not address the personal insurance agreement between each of the class members and the respective insurance company, but rather relates to the general agreement between the entire Israeli population and all insurance companies. Accordingly, the court ordered the petitioners to clarify, by April 26, 2020, whether the petition relates to the personal insurance agreements between the class members and their respective insurance companies, or to an alleged general insurance agreement between all policy holders and all 12 insurance companies.

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 are in progress between the representatives of the parties in all three claims for the purpose of transferring the claims to a single court. Additionally, the court was requested to suspend its ruling from April 20, 2020. On the same day, the Court rejected the motion to suspend its ruling. On April 27, 2020, the petitioners provided additional information, in conformity with the court's ruling from April 20, 2020. On April 30, 2020, the petitioners submitted a notification of the performance of presentation to the respondents.

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

The parties are required to notify the court, by August 1, 2020, whether they consent to a mediation proceeding.

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

10. On April 19, 2020, a claim and a petition to certify it as a class action were filed against the Company and 12 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) 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 million.



**AIG ISRAEL INSURANCE COMPANY LTD.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**

**NOTE 7 - CONTINGENT LIABILITIES (continued):**

**A. Motions to certify class actions (continued):**

10. (continued)

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

On July 26, 2020, the respondents submitted their response to the motions of the petitioners in claim no. 9 above and in claim no. 11 below. On July 21, 2020, the petitioners in claim no. 9 above and in claim no. 11 below filed a motion for the setting of a single date for the submission of a response to the responses to the motion, which will not be later than August 5, 2020. On the same day, the court ruled and made a note to this effect.

The respondent is required to submit a response to the certification petition by January 1, 2021. The petitioners are required to submit a response by January 2, 2021. A hearing was scheduled for January 21, 2021. The parties are required to notify the court, by August 1, 2020, whether they consent to a mediation proceeding.

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

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

On May 20, 2020, the petitioners filed a motion for a change of venue. The court ruled on the same day, requiring the respondents to respond by June 3, 2020. On June 3, 2020, the respondents submitted their response to the motion. On June 4, 2020, the court accepted the motion, transferring the case to the Tel Aviv Court.

The respondent is required to submit a response to the certification petition by January 1, 2021. The petitioners are required to submit a response by January 2, 2021. A hearing was scheduled for January 21, 2021. The parties are required to notify the court, by August 1, 2020, whether they consent to a mediation proceeding.

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

# **AIG ISRAEL INSURANCE COMPANY LTD.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

### **NOTE 7 - CONTINGENT LIABILITIES (continued):**

#### **A. Motions to certify class actions (continued):**

<b>Pending petitions to certify claims as class actions:</b>	<b>Number of claims</b>	<b>Amount claimed (NIS thousands)</b>
Amount of claim specified	9	175,521
Amount of claim not specified	2	-
<b>Total</b>	<b>11</b>	<b>175,521</b>

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

On June 3, 2019, a claim and a petition to certify it as a class action were filed against the Company and one of its service providers. The petition alleges that the Company and its service provider do not provide road services to its customers in the areas of Judea and Samaria, this allegedly in discrimination of its customers and in breach of contract. In the petition, the petitioner estimates the amount claimed for all class members at NIS 6,503 thousand.

On October 6, 2019, the respondents submitted a motion, at the consent of the petitioners, to extend the deadline for responses. On October 6, 2019, it was ruled that the respondents are to submit their response to the certification petition by December 1, 2019. On February 11, 2020, the respondents submitted their response to the certification petition.

A pre-trial hearing was held on June 16, 2020, at the conclusion of which the court required the parties to inform the court of their discussions.

On June 29, 2020, the parties notified the court that they are holding discussions in an attempt to reach an understanding and require an extension. Following negotiations between the parties, on July 23, 2020 the parties filed a consensual motion for withdrawal of the certification petition and rejection of the personal claim, the consent being conditional upon the respondent working to better clarify the procedures and guidelines to the service representatives. The parties further agreed that the respondents will pay compensation of NIS 10,000 to the petitioners and fees of NIS 8,000 plus VAT to the representatives of the petitioners. It has been agreed that one third of the amount of compensation and fees will be payable by the other respondent - Drachim.

On July 23, 2020, the court approved the motion to withdraw and ruled in favor of the parties' recommended compensation to the petitioners and fees to their representatives.

On July 28, 2020, the petitioners filed a motion, requesting the court to order the reimbursement of the court fees and grant exemption from the balance, as set out in the withdrawal notification. On July 29, 2017, the court exempted the petitioners from the second installment of the court fees. As regarding the paid court fees, the court ruled that the law does not provide for reimbursement.

### **NOTE 8 - MATERIAL EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS**

For information on the progress of the Coronavirus Event and its impact on the business of the Company, see Note 1c above.