

**MICHLOL COMPREHENSIVE BUSINESS POLICY**  
**March 2023 Edition**

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**TRANSLATION**

**This document has been made only for your convenience  
In the case of any discrepancy the only binding document is the Hebrew version of  
the original policy.**

## **PART ONE: INTRODUCTION**

This policy is a contract

Between:

**Harel Insurance Company Ltd.** (hereinafter the "**insurer**")

And between:

The insured whose name is stated in the schedule (hereinafter the "**insured**")

In terms of which, in exchange for the insurance fees stated in the schedule and/or in the specification which are included therein, the insurer agrees to pay insurance benefits as specified in the cover paragraphs in each of the policy chapters and/or the policy extensions and/or the additional covers - insofar as determined in the schedule to be valid (hereinafter the "**cover under the policy**") – if occurring within the boundaries of the country and in the course of the insurance period, all subject to the sums insured/ limits of the insurer's liability (as the case may be) according to the policy, the preamble, definitions, the policy conditions, its exclusions and everything detailed therein.

This policy was issued by the insurer based on the insurance proposal and/or any other document which was submitted to the insurer, which constitute an integral part of this policy.

Unless otherwise stated in the schedule document, the following provisions shall also apply as well:

The total insurance benefits which will be paid in respect of the cover under the policy, will not exceed the total sum insured / limit of the insurer's liability (as the case may be) for each chapter, extension or cover (as the case may be).

For this purpose, the sum insured / limit of the insurer's liability (as the case may be) shall be defined as follows:

Unless otherwise stated in the schedule document, the sum noted for the purpose of cover under the policy (if noted), and insofar as not stated - no more than the sum insured or limit of liability (as the case may be) as specified in the policy for that chapter and/or extension and/or cover (as the case may be).

In any event, the insurer's liability according to the policy shall not exceed the actual damage covered in accordance with the cover under the policy, and the sums insured / limits of liability will not be considered agreed indemnification sums.

Unless otherwise specified in regard to an extension or cover, it should be clarified that the sums insured / insurer's limits of liability in respect of an extension and/or cover in the framework of the cover under the policy, are included in the sums insured / the insurer's general limits of liability for the chapter which includes the extension or cover (as the case may be) - and are not in addition thereto.

In order to obviate doubt, the cover under the policy under each of the policy chapters and under any extension or cover (as the case may be) - will take effect only if the schedule and/or specification note that the insurance cover in regard thereto is valid.

The preamble and the definitions, exclusions as well as the general and specific conditions for each chapter and/or extension and/or cover (as the case may be), the proposal and schedule which are annexed hereto constitute an integral part of this policy and apply to everything detailed therein, unless expressly amended in the extension and/or schedule (as the case may be).

## **PART TWO: GENERAL DEFINITIONS FOR ALL PARTS OF THE POLICY**

Unless otherwise stated, the definitions detailed hereunder refer to all parts of the policy as well as all the policy chapters and without derogating from the generalities of the aforementioned, including any extension and/or cover, insofar as valid in the schedule.

1.     **The business**  
The establishment used for the insured's business as described in the schedule, which is located at the address indicated in the schedule.
2.     **Family member**  
The insured's spouse or its shareholders and their spouses, children, parents, siblings, as well as any person living with the insured on a permanent basis.
3.     **Insurance fees**  
The premium and fees specified in the schedule.
4.     **The insured**  
The person or entity whose name, address and nature of business are stated in the schedule.
5.     **The policy**  
The insurance contract between the insured and the insurer, the schedule/ specification document, including the insurance proposal.
6.     **The insurance proposal**  
The proposal form or any other document which includes information, constituting the basis for the insurance contract as well as the basis for arranging the policy. It should be clarified that the proposal form, its addenda and/or any additional information provided by the insured to the insurer constitute an integral part of the policy.
7.     **The schedule/ specification**  
The document which is attached to the policy, detailing inter alia, the insured's details, the covers, the insurance period, the sums insured/ limits of the insurer's liability, the deductibles and the insurance fees, which constitute an integral part of the policy, as well as any additions or amendments to the policy which are issued by the insurer and shall constitute an integral part thereof.
8.     **Deductible**  
The sum specified in the schedule or any other determination as specified in the schedule, which the insured will bear out of the insurance benefits and/or the indemnification sum to be paid and the expenses incurred by the insurer, in accordance with each chapter and/or each extension and/or cover and/or specific risk - insofar as noted as valid is in the schedule - and this, in respect of each insured event separately.  
  
Whatsoever appearing in this paragraph is in accordance with and subject to paragraph 20 of Part Five hereunder (General Conditions for all the Policy Chapters).
9.     **Index**  
The Consumer Price Index published by the Central Bureau of Statistics.

10. **Currency**  
The currency stated in this policy is New Israeli Shekels and is noted in the policy as NIS.
11. **The insured event**  
As defined in each of the policy chapters.
12. **Employee**  
A person in the insured's direct service, in its business and occupation, as noted in the schedule, who receives his salary from the insured.
13. **Boundaries of the State**  
The boundaries of the State of Israel and the Territories administered by the IDF; the territories of Israeli settlements, except areas within the Palestinian Authority;  
  
The areas of Israeli settlements and IDF bases and/or posts within the Autonomy (areas 'B' and 'C') shall be deemed areas held by the IDF for the purpose of this policy (hereinafter also the "Administered Territories").  
  
Without derogating from the aforementioned, this policy shall also apply within the areas as defined in the Law for Implementation of the Peace Contract between the State of Israel and the Hashemite Kingdom of Jordan 5755 – 1995.
14. **The insurance period**  
The insurance period specified in the schedule.

### **PART THREE: GENERAL EXCLUSIONS FOR ALL THE POLICY PARTS**

Unless otherwise specified in the schedule, the insurer will not pay any insurance benefits and/or will not indemnify the insured and/or any other party - including any third party and/or employee – in respect of and/or in connection with an insured event which is caused or emanates from, directly or indirectly, as a result of everything detailed hereunder and/or by it and/or in connection therewith:

1. Any nuclear material, including warfare nuclear material, ionizing radiation and/or radioactive contamination of any type, including from nuclear fuel and/or nuclear waste and/or combustion of nuclear fuel. For the purpose of this paragraph only, combustion shall include any self-sustaining process of nuclear fission.
2. Loss, damage, financial cost, liability of any type, caused directly or indirectly and/or in connection with the circumstances detailed hereunder, irrespective of any other reason and/or event which contribute the causing of the damage, whether simultaneously or at any stage of the damage:
  - 2.1 War, invasion, act of a foreign enemy, hostilities and/or quasi-warlike actions (whether war is been declared or not).
  - 2.2 Civil war, insurrection, riots, civil commotion amounting to popular uprising, military insurrection, rebellion, revolution, usurpation of power by the military, declaration of military rule and/or siege and/or any activity which constitutes declaration or existence of martial law.
  - 2.3 Confiscation, nationalization, expropriation and/or destruction and/or damage to property, by or at the order of a government and/or national or municipal authority.
  - 2.4 Any act of terrorism - for the purpose of this paragraph "act of terrorism" shall mean: an act which includes, however is not limited to use of force, violence, the use of any weapon - including atomic, chemical or biological, weapons of mass destruction - destruction, disruption and/or subversion of any communication and information system and/or infrastructure and/or whomsoever is included therein; sabotage or use of any other means in order to cause damage of any type, whether intentionally or unintentionally; or any threat to initiate any of the actions noted above by any person or group/s, whether acting alone or on behalf of- or in connection with any organization formed for political, religious, ideological or similar purposes, including the intention to influence or any government, or to intimidate the public or any part thereof.
  - 2.5 Any unorganized or uncontrolled act, or violent act perpetrated for the benefit of the person performing same (e.g.: robbery, vandalism, destruction, looting, theft, etc.), which is caused by one of the things detailed in this paragraph by citizens, government officials or soldiers.

It should be emphasized that this paragraph 2 also excludes loss or damage, cost or financial expenditure of any type, caused directly or indirectly, or in connection with any act which is performed in connection with supervision, prevention, suppression or minimization in any way of any act noted in paragraphs 2.1-2.5 above (inclusive) and referred to above.

It should be clarified that invalidity or nullification or a determination regarding inability of implementation in regard to any part of exclusion 2 shall not affect the integrity and validity of the other parts of the exclusion.

3. Riots, commotion, violent strikes or lockouts and labor disputes.
4. Environmental pollution of any type.
5. Damage caused due to construction by means of the method known as Pal Kal.
6. Damage and/or consequential loss of any type which is sustained by the insured.
7. Loss and/or damage and/or any liability in connection with and/or in respect of loss or damage, which are sustained by the property and/or electronic data of the insured and/or any third party as a result of destruction, distortion, erasure, vandalism, defacement or modification of electronic data for any reason (including, however not limited to a computer virus), or loss of use, diminished function, information leakage, cost, expense of any type or kind emanating therefrom - and this, regardless of any other cause or occurrence which may contribute to the loss simultaneously or in any other chain of developments.

**'Electronic data'** shall mean - facts, concepts and information which were converted into a form which may be used for communications, interpretation or processing by means of electronic or electromechanical data processing equipment, or by means of electronically controlled equipment; including computer programs, software and other coded data processing instructions and handling or management and handling of equipment of this type.

**'Computer virus'** shall mean - a code or system of corrupting, damaging or otherwise unauthorized instructions, including a system into which an unauthorized code or programmatic or other instructions have been maliciously inserted, which disseminate themselves by means of computer systems or computer network of any type. A computer virus includes, however, is not limited to 'Trojan horses', 'worms' and 'time bombs' or 'logic bombs'.

Notwithstanding whatsoever appearing in this exclusion, the policy shall cover physical damage to the contents insured under the First Chapter of the policy, which occurs in the course of the insurance period, in the event that the damage is caused by one of the covered risks included in this chapter, even if the damage type is included in this exclusion.

8. Abandoning/ leaving the insured property, in full or in part, for any reason (including due to damage caused thereto) without effective, constant and continuous supervision, unless the insured property is in the business, on the premises of the insured's house or in a closed and locked warehouse; or where the abandoning is due to a real (non-criminal) security risk to human life.

In addition, the insurance shall not cover damage and/or loss and/or liability and/or any expense in respect of and/or in connection with property which as abandoned as aforementioned.

9. A malicious and/or intentional act and/or their result, which are committed by the insured or a member of his family and/or whomsoever received possession in the insured's property and/or the beneficiary and/or whomsoever on their behalf and/or in coordination with them and/or with their consent and/or with prior knowledge of all the parties detailed in this exclusion above in regard to malicious intent and/or an intentional act of another and failure to initiate reasonable measures to thwart the act;

Without derogating from the generalities of the aforementioned, including when the insured acts with gross negligence, which is accompanied by *mens rea* of recklessness or indifference, and his act causes the occurrence of the insured event.

10. Loss and/or damage and/or deficiency, in respect of which the insured has the right to compensation under the Property Tax and Compensation Fund Law, 5721 - 1961, even if this right is prevented due to non-compliance with any of the provisions of the aforementioned law.
11. An insured event and/or loss and/or damage occurring outside the boundaries of the State.
12. Loss or damage to the insured's property, while located in a vehicle, vessel or aircraft.
13. Destruction of the insured property at the order of any public authority, which is not due to an insured risk.
14. loss or damage caused by a fraudulent act, embezzlement or fraud by an employee or contractor or emissary who is employed in the insured's service or acting on its behalf.
15. Damage to any property insured under this policy (including money), resulting from depreciation, wear and tear, gradual deterioration or a gradual process, rodents, moths, insects, worms, moisture, mold, dryness, evaporation, weight loss, rusting, climatic factors, the effect of light, change in color or shape, air pollution, or any defect which is of the insured property's nature.
16. Deficiency which is discovered during a stock count, disappearance, loss or deficiency which cannot be attributed to a specific event.
17. Explosives, fireworks, ammunition of any type, explosive devices, fuses, detonators etc., weapons of any type and description.
18. Pandemic / Corona (Covid 19) exclusion  
Any loss, damage (including pure financial damage, physical damage, mental damage), any liability, expense of any type (including preventive expense), fines, penalties or any other sum (hereinafter "**damage**"), caused directly and/or indirectly and/or in connection with and/or as a result of any of the following - whether or not same actually occurred - including if the damage resulted from a fear or threat of the following:
  - 18.1 Infection, disease, infectious disease, virus, or bacterium or microorganism (whether asymptomatic or not);
  - 18.2 The Corona virus (COVID 19) including any mutation or variation thereof;
  - 18.3 A pandemic declared by the World Health Organization or by another government authority.

The burden of proving that the circumstances specified in the aforementioned pandemic exclusion are fulfilled shall rest upon the insurance company.

19. Sanctions exclusion

The Insurer shall be exempt of its liability under this policy, were recognizing insurance cover or payment of a claim or insurance benefits under the policy conditions will expose the Insurer to a sanction, prohibition or restriction of any type (hereinafter a “**sanction**”), including trade or economic sanctions by virtue of resolutions relating to United Nations sanctions, or by virtue of acts, regulations or laws related sanctions by the United Nations, European Union, United Kingdom or United States of America.



## **PART FOUR: THE COVER CHAPTERS**

### **Chapter One: Extended Fire and Ancillary Risks**

#### **1. Definitions for the First Chapter**

Without derogating from whatsoever appearing in the First Part - General Definitions for all The Policy Chapters - the definitions detailed hereunder shall apply also to this chapter. Insofar as a contradiction exists between the Policy General Definitions and the definitions hereunder, the following definitions shall apply:

##### **1.1 Building**

The business building located at the address noted in the schedule, or at another site as noted in the schedule, including the building annexures and the insured's proportionate share in the common property, in which the insured has an interest as the owner or tenant.

##### **1.2. Contents**

###### **1.2.1 Machinery and equipment**

Machinery, devices, work tools, furniture and office equipment and all other contents which is typical of the insured's occupation, located inside the building, except forklifts and stock, as specified in the schedule.

###### **1.2.2 Stock**

Business stock of any type and without derogating from the generalities of the aforementioned, includes goods in process, finished goods, raw materials, packaging materials, including property which does not belong to the insured and is in its possession for production, repair, renovation, processing, cleaning or service – located in the building used by the business and which belong to the insured or are in its possession, and for which it is responsible, in accordance with whatsoever appearing in the schedule.

#### **2. Exclusions to the First Chapter**

Unless otherwise specified in the schedule, without derogating from whatsoever appearing in the Third Part (General Exclusions For All The Policy Chapters), the insurer will not indemnify the insured and will not pay any insurance benefits under this First Chapter, in respect of or in connection with an insured event which is caused by or arises from – directly or indirectly - in connection with all the following:

2.1 Loss or damage caused, directly or indirectly, by and/or as a result of a gradual process of any type, including a process of heating and/or drying and/or production.

2.2 Loss or damage to any electrical machine and device, or to any part of an electrical installation, caused by or as resulting from: overvoltage, overload, short circuit, electric arc and self-heating caused by any reason whatsoever (excluding lightning), provided that this limitation shall apply only to that electrical machine, that device or that part of the electrical installation which is damaged as aforementioned - and not on other machines, devices or electrical installations which are damaged by fire which breaks out from that machine, that device or that electrical installation.

- 2.3 Loss or damage to property as follows:
  - 2.3.1 Art work items worth more than 1% of the value of the contents.
  - 2.3.2 Precious stones and precious metals.
  - 2.3.3 Securities, negotiable instruments, stamps, cash, coins, checks and guarantees, credit cards, purchase, fuel and other vouchers, gift cards and electronic payment cards.
  - 2.3.4 Motor vehicles.
- 2.4 Loss or damage resulting from land subsidence and slides, as well as loss or damage caused to water sources (including groundwater), including to bodies of water.
- 2.5 Loss or damage to property, which at the time of the damage was covered by marine or aviation insurance, which is arranged by the insured or on its behalf, except for any damage which is in excess of the sum insured under the marine or aviation insurance policy or policies, all subject to the "covered risks" and "additional risks" paragraphs as detailed hereunder.
 

In the event that the cover under such marine or aviation insurance is canceled due to this insurance, whatsoever appearing in this exclusion shall not apply.
- 2.6 Loss of information stored in documents, maps, plans, recording and photographic films, discs, diskettes and other data storage means, as well as expenses for restoring documents and data storage means.

3. **Part 1A to the First Chapter – Building and contents insurance (hereinafter "Part 1A"):**  
 In the event that schedule notes that Part 1A is valid, the insurer shall indemnify the insured subject to whatsoever appearing in the policy preamble, definitions, exclusions and general conditions, subject to the exclusions and conditions specified in the First Chapter, in Part 1A and the schedule, in respect of an insured event as defined hereunder, which occurs within the boundaries of the State and during the insurance period, in accordance with all the following:

- 3.1 Definition of the insured event for Part 1A:  
 Loss or damage to the insured property, caused as a result of an accidental and unforeseen event, due to any of the risks covered under Part 1A, which is not excluded by the General Conditions of the Policy and/or the exclusions detailed hereunder in regard to this chapter.
- 3.2 Additional definitions for the First Chapter:  
 Without derogating from whatsoever appearing in the First Part (General Definitions for all the Policy Chapters), the following definitions shall also apply to this chapter, and insofar as a contradiction exists between the Policy General Definitions and the following definitions, the following definitions shall apply:
  - 3.2.1 The insured property for Part 1A: the building and/or contents (except forklift), insofar as the schedule notes that same are included in the insured property.

3.2.2 The risks covered in Part 1A: one or more of the following risks:

3.2.2.1 Fire

Fire, lightning, smoke or soot.

3.2.2.2 Explosion

Explosion, including explosion due to overheating, of boilers, containers and vessels which are under pressure or negative pressure, however, excluding detonation of explosives, fireworks, various types of ammunition, explosive devices, fuses, detonators, etc., unless the schedule specifically states that any of the aforementioned constitute part of the contents of the insured business.

3.2.2.3 Water damage

Water damage resulting from cleavage, flooding or overflowing of containers, heating facilities and pipes intended for conveyance of water.

3.2.2.3.1 Special exclusions for the purpose of this risk: unless otherwise noted in the schedule, the cover for water damage shall not apply to:

3.2.2.3.1.1 Loss or damage caused by wear and tear, corrosion or rust.

3.2.2.3.1.2 Loss or damage caused by faulty gutters.

3.2.2.3.1.3 The property which constitutes the source of the damage itself.

3.2.2.3.1.4 Measures to mitigate the insurer's risk for the purpose of this risk: without derogating from the generalities of whatsoever appearing in condition 6 to Part Five (General Conditions of the Policy) regarding risk mitigation means, a measure to mitigate the insurer's risk regarding water damage to stock and/or raw materials is avoiding placing the stock and raw materials directly on the floor. Same shall be raised at least 10cm above the floor and placed at a reasonable distance from the exterior walls of the building.

3.2.2.4 Impact by a motor vehicle

Impact by a motor vehicle driven by any person.

3.2.2.5 Aircraft

Damage by an aircraft, satellite, space shuttle and transfer vehicle of-, to- or from a satellite and/or shuttle or other aviation device, or objects falling therefrom, as well as loss caused by supersonic tremor.

- 3.2.2.6 Malicious acts  
Intentional, malicious acts, as well as by causing or attempting to cause damage or other loss to the insured property.

Special exclusions regarding this risk: unless otherwise noted in the schedule, the cover for malicious acts shall not apply to:

- 3.2.2.6.1 Damage as a result of an event which is insured or may be insured in the framework of another insured risk under this chapter;

- 3.2.2.6.2 Risk of theft.

- 3.2.2.7 Riots and commotion  
Riots, violent strikes, or civil commotion.

- 3.2.2.8 Burglary damage to the building (this risk shall be valid only if the insurance cover for the building is valid):  
Damage to the building as a result of a break-in to the building or an attempt to do so.

The insurer's liability under this insured risk shall not exceed NIS 20,000 per occurrence and NIS 40,000 for the period, unless otherwise noted in the schedule.

- 3.2.2.9 Collapse of shelving  
The insurer's liability under this insured risk shall not exceed NIS 20,000 per occurrence and NIS 40,000 for the period, unless otherwise noted in the schedule.

- 3.2.2.10 Breakage of windshields  
Breakage of windshields, mirrors and glass.  
The insurer's liability under this risk shall not exceed 5% of the sum insured for the building or contents - the higher of the two per occurrence - and in any event shall not exceed NIS 20,000 for the insurance period.

- 3.2.2.10.1 Definition of "breakage" for the purpose of this risk: a break through the entire thickness of the glass.

- 3.2.2.10.2 A special exclusion to this risk: unless otherwise noted in the schedule, the insurance for the risk of breakage of windshields shall not apply to damage to frames, to inlays of any type, coatings, decorations as well as to cracked or defective glass.

- 3.3 Additional risks covered in the framework of Part 1A  
(The cover for these risks will only apply if expressly noted in the schedule):

If expressly noted in the schedule regarding each risk of the additional risks which are listed hereunder separately, the insurance under Part 1A shall cover loss or damage to the insured property, caused by an event resulting from any of the additional risks listed hereunder – which are specified in the schedule as being valid - and this is subject to whatsoever appearing in the preamble, definitions,

the exclusions and in the General Conditions of the Policy, subject to the exclusions and conditions detailed in the First Chapter, Part 1A and in the schedule, in accordance with everything detailed hereunder, and in respect of the property insured under this chapter only.

For the sake of good order, it is hereby clarified that the insurer's liability for each risk as detailed hereunder is subject to the sums insured / limits of liability specified for such cover (if at all), and subject to the definition of the sum insured/ limit of liability in the preamble to this policy.

### 3.3.1 Natural damages

#### 3.3.1.1 Storm and tempest

Wind speed exceeding 34 knots. This risk shall also include damage caused by rainwater and/or hail and/or snow and/or sand, occurring as a result of damage to the building due to the risk of wind at a speed exceeding 34 knots.

#### 3.3.1.2 Flood

3.3.1.2.1 Overrunning the banks or normal height of a sea, lake, river, creek, wadi, well, or other liquid source/ reservoir.

3.3.1.2.2 Accumulation or flow - on the ground surface or underground - of rainwater or snow or other liquids outside of their normal flow channels.

#### 3.3.1.3 Snow and hail

Damage caused to the building due to falling hail (and to the contents - only if it occurring after damage to the building) and/or damage caused by overload due to accumulation of snow or hail, except for leakage of snow or hail or their water through walls or ceilings.

#### 3.3.1.4 Special exclusion to natural damage cover

Unless otherwise stated in the schedule document, the cover for natural damages shall not apply to loss or damage to the insured property, which is caused, directly or indirectly, due to faulty gutters.

3.3.1.5 A measure for mitigating the insurer's risk for the purpose of this risk: without derogating from the generalities of whatsoever appearing in condition 6 to Part Five (General Conditions of the Policy) regarding risk mitigation means, a measure to mitigate the insurer's risk regarding water damage to stock and/or raw materials is avoiding placing the stock and raw materials directly on the floor. Same shall be raised at least 10cm above the floor and placed at a reasonable distance from the exterior walls of the building.

- 3.3.2 Earthquake (tremor)  
Underground fire, including fire caused by an earthquake (tremor), as well as a "tsunami"; a loss or damage which occur within a period of 48 consecutive hours after an earthquake was first registered, shall be deemed a single insured event; unless otherwise noted in the schedule, it will be clarified that the cover for earthquakes shall not apply to loss or damage to the insured property, which are caused, directly or indirectly, by theft in the course of- or following an earthquake.
- 3.3.3 Burglary, robbery or any attempt thereat
- 3.3.3.1 "Burglary" shall mean theft of the insured property from within the business establishment, which is perpetrated in one of the following ways:
- 3.3.3.1.1 By intruding – forcefully and violently - into or from the business, where such intrusion left visible signs indicating use of force and/or violence.
- 3.3.3.1.2 Entering while using the business keys which are illegally obtained.
- 3.3.3.2 A measure for mitigating the insurer's risk regarding the risk of burglary: without derogating from the generalities of whatsoever appearing in condition 6 of the General Conditions of the Policy (risk mitigation measures), a measure for mitigating the insurer's risk regarding the risk of burglary is the insured has ensuring that the keys (and copies of the keys) to the openings of the site containing the insured contents - including to safes, security rooms and all alarm systems - are removed from the insured site during the night, weekends and holidays, and at any other time when the business is closed for business.
- 3.3.3.3 "Robbery" shall mean theft of the insured property after intrusion into the business, using violence or the threat of violence against the insured and/or whomsoever of its employees.
- 3.3.3.4 Special exclusion regarding burglary and robbery risks: unless otherwise noted in the schedule, the insurance for the risks of burglary and robbery shall not cover loss or damage:
- 3.3.3.4.1 Caused by the insured, an employee of the insured or by any other person who is permitted to be in the business on behalf of the insured, or in cooperation with whomsoever of the aforementioned;
- 3.3.3.4.2 Caused to the insured property while located outside a closed and locked building, or when the insured property is not accompanied by the insured, one of its employees or whomsoever on its behalf.

3.3.4 Wear and tear, corrosion or rust: loss or damage caused to the building (if insured in the schedule) and/or to its contents (if insured in the schedule) resulting from liquids originating from wear and tear, corrosion or rust of the building's piping, including damage to the piping itself, except for liquids originating from improper gutters, worn gutters and gutters damaged by a process of corrosion.

3.4 Extensions to Part 1A

The extensions detailed hereunder shall apply subject to whatsoever appearing in the preamble, definitions, exclusions and General Conditions of the Policy, and subject to the exclusions and conditions detailed in the First Chapter, Part 1A and the schedule, in accordance with everything detailed hereunder and only in regard to the property insured under this chapter.

For the sake of good order, it is hereby clarified that the insurer's liability according to each of the extensions detailed hereunder shall be subject to the sums insured/ limits of liability specified for that extension (if at all), and subject to the definition of the sum insured/ limit of liability in the preamble to this policy.

3.4.1 Alternative housing

The insurer shall indemnify the insured for reasonable lease fees actually incurred by the insured for alternative housing, if as a result of an insured event which is covered under Part 1A, the insured building becomes unfit for housing and use, subject to the following conditions:

3.4.1.1 The insurer's liability under this extension shall not exceed 10% of the sum insured for the building or contents (whichever is higher) or the cost of lease fees for a period of up to 12 months (whichever is the lower), unless otherwise specified in the schedule.

3.4.1.2 The basis for calculation regarding this extension shall be pro-rata to the period during which the site is unfit for use as a result of the insured event, and:

3.4.1.2.1 Where the insured is the lessee - the basis for indemnification shall be the annual lease fees actually paid by it;

3.4.1.2.2 Where the insured is the owner of the premises / the lessor - the basis for indemnification will be the value of the annual lease fees;

3.4.1.2.3 In any event, the lease fees and value of the lease shall not exceed the lease fees and value of the lease for a similar building – in terms of the type, size and area where the damaged building is located.

3.4.2 Removal of debris

The insurer shall indemnify the insured for reasonable sums which are required and actually paid by the insured for demolition, cleaning and removal of debris, of the building or contents, as a result of an insured event covered under Part 1A.

The insurer's liability under this extension shall not exceed 10% of the sum insured for the building and/or the equipment and machinery, unless another sum is specified in the schedule in this respect.

3.4.3 Architects' and engineers' fees (if the building is insured)

The insurer shall indemnify the insured for reasonable expenses in regard to fees of architects, engineers, surveyors and inspectors for assessments, plans, measurements, supervision and oversight, which must be paid, and are actually paid by the insured in the event of reinstatement - following loss or damage to the building only, due to an insured event covered under this Part 1A.

It should be clarified that this extension shall not cover claim preparation expenses. The insurer's liability under this extension shall not exceed 10% of the sum insured for the building, unless another sum is specified in the schedule.

3.4.4 Additional insurance

3.4.4.1 In the event of an increase in the sums insured specified in the schedule, which results from the construction and/or installation and/or addition of supplements to the building, machines or equipment (hereinafter "additional insurance"), where the insured fails to notify the insurer regarding the additional insurance and/or in the event that the insurer fails to approve the additional insurance, then, upon the occurrence of an insured event which is covered according to this Part 1A, the insurance under Part 1A – beyond the sums insured for the building, machines and equipment as noted in the schedule – shall also cover the additional insurance.

The insurer's liability under this extension shall not exceed 10% of the sums insured noted in the schedule (unless otherwise stated in the schedule document).

This extension will apply for 30 days from the inception of the construction, installation or addition of the additions to the building, machines or equipment as aforementioned.

3.4.4.2 The insured must notify the insurer of the additions before the aforementioned 30 days elapse.

3.4.4.3 After the 30 days, and in consideration of payment, or the insurer receiving the insured's undertaking to pay the additional insurance fees, the cover shall also apply to the additional insurance until the end of the insurance period, subject to the all the policy conditions.

3.4.4.4 In the event that the insured fails to give notice in regard to the aforementioned additions within the aforementioned 30 day period, the insurance cover under this extension shall terminate after the aforementioned 30 days.



- 3.4.5 Reinstatement of the sum insured in accordance with the insured's request Notwithstanding whatsoever appearing in the General Conditions of the Policy regarding reduction of the sum insured following a damage, after an insured event, at the insured's request, the sum insured under this chapter shall be reinstated. The insured shall pay the insurer the additional insurance fees due for such reinstatement from the date of reinstatement until the end of the insurance period.

The insurance fees for this matter, shall mean the multiplicand of the insurance benefits by rate of the insurance fees for the insured risks, which shall be calculated for the remaining insurance period.

Whatsoever appearing in this extension shall not apply to the risks of theft, burglary, robbery, malicious acts, as well as any risk for which it is determined in the policy that the cover in regard thereto shall apply on a first loss basis and/or is not subject to underinsurance - for which this condition shall not apply.

- 3.4.6 Audit paragraph  
In the event of a claim for damage in an sum not exceeding 10% of the sum insured under Part 1A, the insurer will make do with the insured's declaration in regard to the value of the undamaged property, all for the purpose of calculating underinsurance conditions.

- 3.4.7 Accidental breakage of signs  
The insurer shall indemnify the insured for accidental breakage of signs which constitute part of the building.

Special exclusion to this extension: unless otherwise noted in the schedule, this extension shall not cover damage caused by climate effects or electrical breakdown (and without derogating from the generalities of the aforementioned, including whatsoever is excluded by exclusion 2.2 of the exclusions to the First Chapter - Electricity Exclusion);

The insurer's liability under this extension shall not exceed 5% of the sum insured for the building or contents, the higher of the two, however, no more than NIS 20,000, unless otherwise noted in the schedule.

- 3.5 Extensions only in regard to the contents insurance (insofar as cover is purchased for the contents):

The extensions detailed hereunder shall apply only to the contents insurance, insofar as such cover is purchased, subject to whatsoever appearing in the preamble, definitions, exclusions and General Conditions of the Policy, and subject to the exclusions and conditions detailed in Chapter One, Part 1A and the schedule, in accordance with everything detailed hereunder and only in regard to the property insured under this chapter.

For the sake of good order, it is hereby clarified that the insurer's liability according to each of the extensions detailed hereunder is subject to the sums insured / limits of liability specified in regard to such extension (if at all), and subject to the definition of the sum insured / limit of liability in the preamble to this policy.

### 3.5.1 Property belonging to employees

3.5.1.1 The insurance under Part 1A is extended to cover loss or damage caused as a result of an insured event to the clothing and personal belongings of the insured's employees while they are in the building.

3.5.1.2 Special exclusion to this extension: unless otherwise stated in the schedule document, this extension shall not apply to valuables, money, jewelry, watches, glasses, precious stones, precious metals, mobile phones, calculators, laptops and PDAs (including tablets), cards credit, purchase and fuel receipts, other payment vouchers, gift cards and electronic payment cards.

3.5.1.3 The insurer's liability under the extension regarding property belonging to employees shall not exceed 1% of the sum insured for the contents per single person; and no more than 3% of the sum insured for the contents for the duration of the insurance period.

### 3.5.2 Property which is exposed to the elements

3.5.2.1 The insurance under Part 1A is extended to cover loss or damage caused to the contents, which is located in sheds or exposed to the elements on the insured's premises nearby the building, against the risks of fire, explosion and damage by a motor vehicle (and in accordance with the cover conditions for these risks, as detailed above).

3.5.2.2 Special exclusion to this extension: unless otherwise stated in the schedule document, this extension shall not cover loss or damage due to natural risks to contents and materials which, due to their classification and/or characterization and/or nature, are not such – which by their character and nature - should not be exposed to the elements.

3.5.2.3 The insurer's liability under this extension shall not exceed 10% of the sum insured noted in the schedule for the contents, as applicable, unless otherwise stated in the schedule document.

### 3.5.3 Stock being processed and in storage

The insurance under Part 1A is extended to cover loss or damage caused by fire, explosion, water damage or damage by motor vehicles (in accordance with the cover conditions for these risks as detailed above) to the insured's stock, which is temporarily located in a permanent and closed building with subcontractors within the boundaries of the State, for processing or storage.

The insurer's liability under this extension shall not exceed 10% of the sum insured of the sum insured for the stock as specified in the schedule, unless otherwise stated in the schedule document.

### 3.5.4 Machinery under renovation

The insurance is extended to cover loss or damage caused to equipment, machines and devices constituting part of the contents, while temporarily outside the business premises- inside a permanent, stable and closed building, within the boundaries of the State of Israel - for renovation, repair

or cleaning and while being transported for these purposes, provided that the damage is caused by an insured event, only due to the following risks: fire, explosion, water damage and damage by a motor vehicle (in accordance with the cover conditions for these risks as detailed above).

The insurer's liability under this extension shall not exceed 10% of the sum insured for the equipment, machines and devices as specified in the schedule, unless otherwise specified in the schedule.

#### 3.5.5 Bicycles

The insurance under Part 1A is extended to cover damage to bicycles owned by the insured, caused in the business due to an insured event which is covered under Part 1A, or while being used for the needs of the business outside of it, only due to the following risks: fire, explosion and damage by a motor vehicle (in accordance with the cover conditions for these risks as specified above).

Special exclusion to this extension: unless otherwise stated in the schedule document, in order to obviate doubt it is hereby clarified that this extension shall not apply to motorized bicycles, including bicycles equipped with an auxiliary motor, and the insurance in accordance therewith shall not cover them.

#### 3.5.6 Document restoration

The insurance under Part 1A is extended to cover reasonable expenses incurred by the insured for restoration of documents, computerized information, plans, cards and accounting books, as a result of damage caused to the property as detailed in this extension, due to an insured event under this Part 1A.

The insurer's liability under this extension shall not exceed 10% of the sum insured noted in the schedule for the contents, unless otherwise stated in the schedule document.

#### 3.5.7 Spoilage of refrigerated goods

3.5.7.1 The insurance under Part 1A is extended to cover loss or damage caused to the contents of an electric refrigerator as a result of the electric refrigerator ceasing to operate as a result of an event insured under Part 1A.

3.5.7.2 Special exclusion to this extension: unless otherwise noted in the schedule, the insurance under to this extension shall not apply to loss of damage:

3.5.7.2.1 As a result of the refrigerator not operating for less than 12 hours;

3.5.7.2.2 As a result of the interruption of the electric current by the Israel Electric Corporation for any reason;

3.5.7.2.3 As a result of poor storage or use of unsuitable packaging materials.

3.5.7.3 The insurer's liability under this extension shall not exceed 10% of the sum insured specified in the schedule for stock, unless a different sum is specified in the schedule.

3.6 Additional covers only in regard to the contents insurance (insofar as cover is purchased for the contents). The following covers shall apply only if explicitly noted in the schedule:

If expressly noted in the schedule, the following covers shall apply only to the contents insurance, subject to whatsoever appearing in the preamble, definitions, exclusions and General Conditions of the Policy, and subject to the exclusions and conditions detailed in the First Chapter, Part 1A and the schedule, in accordance with everything detailed hereunder and only in regard to the property insured under this chapter.

For the sake of good order, it is hereby clarified that the insurer's liability under each cover as detailed hereunder is subject to the sums insured/ limits of liability specified in regard to such cover (if at all), subject to the definition of the sum insured/ limit of liability in the policy preamble.

3.6.1 Cover in regard to the forklift

If expressly noted in the schedule, the insurance under this part shall be extended to cover accidental, random and unforeseen loss or damage, caused to the forklift whose details are stated in the schedule document, as a result of the risks insured hereunder, while located or operated for the needs of the insured's business on its premises, at the business address as listed in the schedule or in its nearby vicinity as follows:

3.6.1.1 The insured risks – in regard to the forklift

3.6.1.1.1 Fire, lightning, explosion;

3.6.1.1.2 Collision by motor vehicles, overturning of the forklift, falling of cargo onto and/or from the forklift.

3.6.1.2 Special exclusions for this cover: unless otherwise stated in the schedule document, the cover for the risks noted in paragraph 3.6.1.1 above shall not apply upon any of the following events:

3.6.1.2.1 When the forklift is operated by a person who does not possess a legally valid license to operate it.

3.6.1.2.2 When operation of the forklift requires inspection and confirmation of proper working order and/or license by law, and these are not carried out at all; are not performed on time; or are performed and result in a prohibition to operate the forklift - and it is operated; or where the forklift is operated in violation of its operating license or in violation of the guidelines/ instructions for its operation, as established by a qualified inspector on behalf of the authorities and in accordance with the Safety Regulations for Forklifts which are valid upon the occurrence of an insured event or the valid proper working order inspection.

3.6.1.2.3 Where the forklift is operated while carrying out trials, experiments and an overload is exerted on it.

3.6.1.3 In addition to the aforementioned covers, if explicitly stipulated in regard to the forklift in the schedule, the cover shall apply to damage to the forklift also in respect of a risk arising from natural damages;

The cover for natural damage is subject to everything stated in paragraph 3.3.1 above regarding the risk of natural damages.

3.6.1.4 In addition to the aforementioned covers, if explicitly stipulated in regard to forklift in the schedule, the cover shall apply to damage to the forklift also in respect of a risk arising from an earthquake;

The cover for earthquake damages is subject to everything stated in paragraph 3.3.2 above regarding the earthquake risk.

3.6.1.5 In addition to the aforementioned covers, if expressly stipulated in regard to the forklift in the schedule, the cover shall apply to damage to the forklift also in respect of a risk arising from burglary or robbery;

The cover for burglary or robbery damages is subject to everything stated in paragraph 3.3.3 above regarding the risks of burglary and robbery.

3.6.1.6 In order to obviate doubt, it is hereby clarified that Paragraph 3.6.4 (Reinstatement value) hereunder shall not apply to a forklift/ forklifts and the insurance benefits under this extension will be paid solely according to the actual value ("indemnification value" / "market value") of the forklift which is lost or damaged, soon before the loss / damage caused to it.

3.6.2 "All Risks" supplement

3.6.2.1 If expressly noted in the schedule, the insurance under this part shall be extended to include accidental, random and unforeseen physical damage to the insured contents (except for forklifts), while located in the building, for any reason not included in the covered risks (in accordance with paragraph 3.2.2 above), and the additional covered risks (in accordance to paragraph 3.3 above) under this part - whether the schedule notes that they are valid or not.

Unless otherwise stated in the schedule document, the insurer's liability under this cover shall not exceed 15% of the sum insured for the contents or NIS 150,000 – the higher of the two, on a first loss basis, per occurrence and in total for the insurance period.

- 3.6.2.2 Special exclusions for this cover: unless otherwise stated in the schedule document, the insurer will not be liable under this cover in respect of:
  - 3.6.2.2.1 Deficiency resulting from error, omission or oversight;
  - 3.6.2.2.2 Damage caused by mechanical breakdown or malfunction, improper mechanical operation, electrical malfunction, electrical or electronic damage, short-circuit, overvoltage, electric arc or self-heating;
  - 3.6.2.2.3 Damage to boilers and pressure vessels and containers due to crushing, buckling, cracking or collapse;
  - 3.6.2.2.4 Damage caused to the insured property while in the process of production, processing, cleaning, repair, renovation or service, testing, running-in or dismantling and/or as a result of the aforementioned processes;
  - 3.6.2.2.5 Water damage of any type;
  - 3.6.2.2.6 Scratches, grooves, warping, deformation of any polished or painted surface, breakage of glass, damage to works of art;
  - 3.6.2.2.7 Loss or damage caused by defective or inappropriate planning, materials or workmanship;
  - 3.6.2.2.8 Damage caused to a forklift or lifting platform.
- 3.6.2.3 In the event of loss or damage which is covered under this special cover, a double deductible shall apply – double the deductible sum noted in the schedule, under the Deductible Paragraph which is not attributed to a certain (specific) risk.
- 3.6.3 Cover for portable equipment while outside the business address (this paragraph shall not apply to portable electronic equipment, unless cover for portable electronic equipment is purchased):
  - 3.6.3.1 If expressly noted in the schedule that a mobile / portable equipment item (hereinafter "portable equipment") as defined hereunder, is covered while outside the business, the insurance under this part shall be extended to cover same also in regard to an insured event caused to it by the risks valid in regard to the contents, while located outside the business.
  - 3.6.3.2 Definition of "portable equipment" for the purposes of this cover: equipment whose definition, features and structure is designed to be operated while being shaken, outside a building.
  - 3.6.3.3 Special exclusion to this cover: unless otherwise noted in the schedule, the insurer shall not be liable under this cover for loss

or damage caused to portable equipment while located outside the business, without its supervision or oversight or without regular guarding by the insured or whomsoever on its behalf, unless the equipment is locked in a building and provided signs remain indicating forced entry into the building or forced exit from the building.

3.6.4 Cover under the Reinstatement Value Paragraph:

If explicitly noted in the schedule in regard to the building and/or the machinery and/or equipment (hereunder in the "insured property" Reinstatement Value Paragraph) that the Reinstatement Value Paragraph is valid in regard thereto (as the case may be), the following provisions shall apply in regard thereto:

3.6.4.1 In regard to an event which is covered under this part, which causes damage to the insured property (except for stock and the forklift, even if expressly insured in the schedule), the insurer shall indemnify the insured for the cost of reinstatement or replacement of the same property or of property of the same type, nature or character, whose cost does not exceed the value of the property which is damaged – as new.

3.6.4.2 Definition of the term "reinstatement" or "replacement" for the purposes of this cover: in the event that the property is completely destroyed – reinstatement or replacement by the insured; and in the event that the property is damaged - repair of the damage by the insured and returning the property to its condition, had the damage not occurred.

3.6.4.3 Special conditions regarding this cover:

3.6.4.3.1 In the event that the reinstatement cost based on the Reinstatement Value Paragraph exceeds the sum insured for the building and equipment (as the case may be), if same are completely destroyed, then the insurer's liability shall be decreased and the insurance benefits will be paid partially only, according to the ratio between the sum insured and the reinstatement cost.

3.6.4.3.2 The insured must begin execution of the reinstatement work with reasonable dispatch and complete same within 24 months of the damage occurrence; or within an additional period of time, insofar as permitted by the insurer in writing before the end of the aforementioned period. Otherwise, the insurance benefits paid will not exceed the value of insurance benefits which would have been paid under this part, without the reinstatement value paragraph.

3.6.4.3.3 As long as the insured has not actually incurred the aforementioned reinstatement expenses, no insurance benefits will be paid in a sum exceeding

that would have paid under this part, without the reinstatement value paragraph.

3.6.4.4 Special exclusions regarding this cover: unless otherwise noted in the schedule, this cover shall not apply in the following events:

3.6.4.4.1 If the insured is not permitted, unable or unwilling to reinstate;

3.6.4.4.2 In regard to property which was out of use before the loss/ damage occurred;

3.6.4.4.3 In regard to forklifts, lifting platforms and lifting surfaces (even if insured under this policy);

3.6.4.4.4 In regard to stock

### 3.7 General conditions for Part 1A

#### 3.7.1 Basis for determining the sum insured

The sum insured under this chapter is the cost of replacing the insured property with a new property of the same type and output.

#### 3.7.2 Basis for calculating insurance benefits

The insurance benefits that due to the insured under Part 1A will be calculated and paid according to the value of the damaged building and/or machinery and/or equipment, in its condition at the time of the loss or damage.

The insurance benefits shall not exceed the sum insured specified in the schedule for such property, unless the schedule expressly notes that the cover according to Paragraph 3.6.4 (reinstatement value cover) is valid in regard to the building, machinery and equipment.

In the event that the schedule notes that the reinstatement value paragraph for the building and/or machinery and/or equipment (as the case may be) is valid, the insurance benefits will be calculated (except for forklift(s)) in accordance with whatsoever appearing in paragraph 3.6.4 (reinstatement value cover).

#### 3.7.3 Declared stock

In the event that the insured notifies the insurer in writing of its wish to do so, and if expressly noted in the schedule, then the insurance fees under Part 1A – only in regard to the stock – shall be provisional and will be subject to adjustment at the end of the insurance period, as follows:

3.7.3.1 In the event that the insured submits, within 15 days of the end of each month in the course of the insurance period, a signed declaration regarding the value of the stock in that past month (which will be determined according to the highest stock value that month), the insurance fees for the stock will be calculated according to the "average sum insured".



- 3.7.3.2 "Average sum insured" for the purposes of this paragraph shall mean the sum of all the declarations given in regard to the stock value (and if the insurance is arranged in NIS - plus linkage differentials to the index for each month separately), divided by the number of declarations or months, and in accordance with whatsoever appearing in paragraph 3.7.3.3 hereunder (a month where no declaration is given) - as applicable.
- 3.7.3.3 In the event that in a certain month the insured fails to provide a declaration in regard to the stock value, then the insured's declaration in regard to the stock value for that month shall be: the sum insured specified in the schedule (and if the insurance is arranged in NIS – plus linkage differentials to the index); or the highest stock value declaration given in the course of the insurance period (and if the insurance is arranged in NIS – together with linkage differentials to the index) - the higher of the two sums.
- 3.7.3.4 In the event that the insurance fees calculated according to the "average sum insured" are lower than the provisional insurance fees noted in the schedule - which were actually paid - the difference will be returned to the insured. However, the sum returned to the insured shall not exceed 50% of the insurance fees actually paid for the stock.
- 3.7.3.5 In any event, the insurance benefits shall not exceed the sum insured in relation to the stock as specified in the schedule.
- 3.7.3.6 If, at the time of an insured event, the value of the stock according to the insured's recent declaration soon before the date of the loss and/or according to the calculation detailed in paragraph 3.7.3.3 above (an event where no declaration is given in a certain month) - as applicable – in respect of the insured property subject which is to these conditions, will decrease from the value of the insured property. The insurer's liability will be reduced according to the ratio between the sum insured noted in the schedule and the actual value of the insured property.
- 3.7.3.7 In the event that the insured fails to keep a complete and accurate stock record, the value of the insured stock will be considered the sum noted in the schedule for the purposes of collecting the insurance fees, without taking into account the insured's declarations, even if such declarations were made from time to time.
- 3.7.4 Underinsurance  
If, at the time of the occurrence of the insured event, the sum insured specified in the schedule in Part 1A is less than the sum insured which should have been insured in accordance with whatsoever appearing in paragraph 3.7.1 above (the basis for determining the sum insured), the insurer's liability will be reduced, and the insurance benefits will be paid only partially in accordance with the ratio between the sum insured noted in the schedule in Part 1A and the sum insured which should have been insured in accordance with whatsoever appearing in paragraph 3.7.1 above (the basis for determining the sum insured) - however:

3.7.4.1 In the event of loss or damage to the building and/or the machinery and/or the equipment, where the schedule notes that the insurance in regard thereto is according to reinstatement value - underinsurance shall apply in regard thereto in accordance with paragraph 3.6.4.3.1 above (underinsurance in connection with cover according to the reinstatement value paragraph), and not as stated in this paragraph 3.7.4;

3.7.4.2 In the event of loss or damage to the stock, where the schedule notes that the insurance in regard to the stock was arranged subject to condition 3.7.3 above (declared stock), whatsoever appearing in condition 3.7.3.6 above (underinsurance in connection with declared stock) will apply thereto, and not according to whatsoever appearing in this paragraph 3.7.4.

4. **Part 1B to the First Chapter - Loss of profits insurance (hereinafter "Part 1B")**

In the event that the schedule determines that Part 1B is valid, the insurer shall indemnify the insured subject to whatsoever appearing in the policy preamble, definitions, exclusions and General Conditions of the Policy (except for exclusion 6 to the Third Part - general exclusions to all parts of the policy, regarding consequential loss), and subject to the exclusions and conditions specified in the First Chapter, in Part 1B and the schedule, in respect of an insured event as defined hereunder, which shall occur in the course of the insurance period and this, in accordance with everything detailed hereunder:

4.1 Definition of the insured event for Part 1B

Loss of gross profit and/or reasonable increased operating expenses, which result directly from a layup or interruption of the operation of the insured's business due to loss or damage caused to the property insured under Part 1A, while within the boundaries of the business, as a result of the "covered risks" according to paragraphs 3.2.2.1 to 3.2.2.7 (inclusive) in Part 1A above (the risks of fire, explosion, water damage, damage by a motor vehicles, aircraft, malicious acts, commotion and riots), as well as by the additional risks detailed in Paragraphs 3.3.1 to 3.3.2 in Part 1A above (natural and earthquake damages), If expressly noted in the schedule that these additional risks are valid (in the accumulative) in regard to the First Chapter, in Part 1A and in Part 1B, which is not excluded according to the general exclusions to the policy and/or the exclusions of this chapter.

4.2 Additional definitions for Part 1B

Without derogating from whatsoever appearing in the First Part (General Definitions for all the Policy Chapters), the following definitions shall also apply to this chapter. Insofar as a contradiction exists between the Policy General Definitions and the following definitions, the definitions hereunder shall apply:

4.2.1 Gross profit

The sum obtained by adding the insured fixed expenses to the net profit; or, in absence of net profit - the sum of the insured fixed expenses, less a sum whose ratio vis-à-vis the net business loss is identical to the ratio between the insured fixed expenses and all the business fixed expenses.

Effect of the sale of salvage on the loss of gross profit:

If as a result of loss or damage which is covered under the property policy noted in the schedule, the insured conducts a salvage sale in the course of

the indemnification period, then for the purpose of the sale of the salvage, the income from the sale of the salvage will be deducted from the gross profit, as defined above.

4.2.2 Net profit

The net business profit (excluding any capital receivables, or capital additions, or capital expenses which should be attributed to capital, or taxes imposed on capital) generated by the insured's business, after taking into account all fixed and other expenses, including depreciation, however, before allocation of taxes which are imposed on the profit.

4.2.3 Layup or interruption of the operation

Partial or total layup of the sale of products or provision of services, all as applicable, either at the insured site or at other locations.

4.2.4 Increased operating expenses

Reasonable additional expenses, incurred for the purpose of preventing or minimizing loss of income, however, no more than the sum which such additional expenses – together with the loss - would exceed the loss of income which would have been incurred, had the expenses not been spent.

4.2.5 The indemnification period

The period specified in the schedule, in which the insured's business results are affected due to the damage, commencing from the day of the layup or interruption in operations following the damage event which is covered under Part 1A, and ending upon termination of the layup and/or interruption in operations, or at the end of the indemnification period - whichever is sooner.

4.2.6 Turnover

Monies paid or payable to the insured in respect of goods which were sold and delivered, and for services rendered in the course of the insured's business activities.

4.2.7 Annual turnover

The turnover for the 12 months preceding the date of the damage.

4.2.8 Standard turnover

The turnover during the period corresponding to the indemnification period, in the course of the 12 months preceding the date of the damage.

4.2.9 Rate of gross profit

The profit rate produced from the turnover during the fiscal year preceding the date of the damage.

In the matters noted in paragraphs 4.2.7 (annual turnover), 4.2.8 (standard turnover) and 4.2.9 (rate of gross profit) above, the necessary adjustments shall be made in accordance with the trend of business development; the changes in the business; as well as the special circumstances affecting the business before or after the damage - or which may have affected the business had the damage not occurred - so that the adjusted sums will represent, as reasonably as possible, the results which would have been achieved during the corresponding period following the damage, had the damage not occurred.

#### 4.2.10 Deductible

The insured shall bear any loss and/or increase in expenses caused during the first 8 working days after the date of the loss or damage to the property insured under Part 1A, unless otherwise specified in the schedule.

#### 4.3 Exclusions to Part 1B

Unless otherwise noted in the schedule, contrary to whatsoever appearing in paragraph 6 in the Third Part - general exclusions to all parts of the policy (regarding consequential loss), and without derogating from whatsoever appearing in the Third Part (general exclusions to all the policy chapters), the insurer shall not indemnify the insured nor will it pay any insurance benefits under this Part 1B, in respect of or in connection with an insured event which is caused or arises, directly or indirectly, in connection with all of the following:

4.3.1 Loss or increased expenses resulting from an event which is not covered under Part 1A of this policy, also where Part 1A of this policy is not in effect.

4.3.2 Loss or increased expenses resulting from damage to property, caused due to the risks listed in paragraph 3.3.3 of Part 1A above (burglary and robbery), even if the insurance under Part 1A is extended to include this cover.

4.3.3 Loss or increased expenses originating from any risk which is covered under Paragraph 3.6.2 of Part 1A above ("All Risks" supplement), even if the insurance under Part 1A is extended to include this cover.

4.3.4 Loss or increased expenses resulting from damage which is excluded by paragraph 2.2 of the exclusion to the First Chapter (exclusion in regard to electricity, voltage, overload, etc.), even if the insurance under Part 1A is extended to cover these risks.

4.3.5 Loss or increased expenses resulting from the liquidation of the business, its transfer to a liquidator or a receiver and/or winding-up of the business's activities.

4.3.6 Loss or increased expenses caused by the following events, which occur in the course of the indemnification period:

4.3.6.1 Restrictions imposed by a public, local or governmental authority;

4.3.6.2. Improvements, modifications or renovations in the course of repairing or replacing the damaged property.

#### 4.4 Extensions to Part 1B

The extensions detailed hereunder shall apply subject to whatsoever appearing in the preamble, definitions, exclusions and General Conditions of the Policy (except for exclusion 6 to the Third Part - general exclusions to all parts of the policy regarding consequential loss), and subject to the exclusions and conditions detailed in the First Chapter, Part 1B and the schedule, in accordance with everything detailed hereunder and only in regard to the property insured under Part 1A.

For the sake of good order, it is hereby clarified that the insurer's liability under each of the following extensions shall be subject to the sums insured/ limits of liability

specified in regard to such extension (if at all) and subject to the definition of the sum insured/ limit of liability in the policy preamble.

4.4.1 Departmental paragraph

In the event that the insured's business is conducted in separate departments, whose business data may be determined separately, at the insured's request, a separate calculation will be made for each department affected by an insured event.

4.4.2 Extent of the property damage

The insurance under Part 1B will not be affected by the damage to the property insured under Part 1A being lower than the deductible under Part 1A.

4.5 Special conditions for Part 1B

4.5.1 The basis for calculating the sum insured

The basic sum insured for this chapter shall be the annual gross profit of the business.

4.5.1.1 In the event that the specified indemnification period is shorter than one year - the sum insured shall reflect the full annual gross profit;

4.5.1.2 In the event that the specified indemnification period is longer than one year - the sum insured shall reflect the full indemnification period.

4.5.2 The basis for calculating the insurance benefits

The insurer shall indemnify the insured for loss of gross profits due to a reduction in turnover and/or increased operating expenses, and the insurance benefits shall be calculated as follows:

4.5.2.1 Reduction in turnover

The sum obtained from multiplying the rate of gross profit by the sum of the difference between the standard turnover and the actual turnover in the course of the indemnification period.

4.5.2.2 If during the indemnification period products are sold or services are rendered by the insured or by others on its behalf, the monies paid or payable (in regard to such products or services) shall be taken into account for the purpose of determining the actual turnover.

4.5.2.3 Increased operating expenses

Increased and necessary operating expenses, actually incurred by the insured in the course of the indemnification period, which were expended in order to reduce or prevent the reduction in turnover in the course of the indemnification period due to an insured event;

However, the indemnification under this paragraph shall not exceed the sum obtained from multiplying the rate of gross profits by that part of the turnover, whose loss is avoided by the additional expenses, less the sums saved in the sphere of the indemnification period in respect of expenses or costs which were prevented or reduced as a result of the insured event.

- 4.5.3 Reinstatement of the sum insured at the insured's request  
Notwithstanding whatsoever appearing in the General Conditions of the Policy regarding reduction of the sum insured following a damage - after the occurrence of an insured event, at the request of the insured, the sum insured shall be reinstated and the insured shall pay the insurer the additional insurance fees due for such reinstatement, from the date of reinstatement and until the end of the insurance period.

The insurance fees for this matter shall mean the multiplicand of the insurance benefits by the rate of the insurance fees for the insurance risks, calculated for the remaining insurance period.

- 4.5.4 Claim preparation expenses  
The sum insured and the insurance benefits include reasonable expenses which are necessary for the fees of accountants who prepare and submit the data necessary for filing a claim under Part 1B and Part 1A of this policy – and this, only if the filed claim is covered under the conditions of Part 1B.

The insurer's liability in respect of claim preparation expenses under this paragraph shall not exceed 5% of the sum insured for Part 1B, unless another sum is specified in the schedule in regard to claim preparation expenses.

- 4.5.5 Underinsurance  
If, at the time of the occurrence of the insured event, the sum insured specified in the schedule for Part 1B is lower than the sum insured which should have been insured in accordance with whatsoever appearing in paragraph 4.5.1 above (the basis for determining the sum insured), the insurer's liability will be reduced and the insurance benefits will be paid only partially, according to the ratio between the sum insured specified in the schedule for Part 1B and the sum insured which should have been insured in accordance with whatsoever appearing in paragraph 4.5.1 above (the basis for determining the sum insured).

5. **Part 1C to the First Chapter - Loss of Income Insurance (hereinafter "Part 1C")**

In the event that the schedule determines that Part 1C is valid, the insurer shall indemnify the insured subject to whatsoever appearing in the policy preamble, definitions, exclusions and General Conditions of the Policy (except for exclusion 6 to the Third Part - general exclusions to all parts of the policy, regarding consequential loss), and subject to the exclusions and conditions specified in the First Chapter, in Part 1C and the schedule, in respect of an insured event as defined hereunder, which shall occur in the course of the insurance period and this, in accordance with everything detailed hereunder:

- 5.1 Definition of the insured event for Part 1C  
Loss of income and/or reasonable increased operating expenses, which result directly from a layup or interruption of the operation of the insured's business due to loss or damage caused to the property insured under Part 1A, while within the boundaries of the business, as a result of the "covered risks" according to paragraphs 3.2.2.1 to 3.2.2.7 (inclusive) in Part 1A above (the risks of fire, explosion, water damage, damage by a motor vehicles, aircraft, malicious acts, commotion and riots), as well as by the additional risks detailed in Paragraphs 3.3.1 to 3.3.2 in Part 1A above (natural and earthquake damages), if expressly noted in the schedule that

these additional risks are valid (in the accumulative) in regard to the First Chapter, in Part 1A and in Part 1C, which is not excluded according to the general exclusions to the policy and/or the following exclusions in regard to this chapter.

## 5.2 Additional definitions for Part 1C of the First Chapter

Without derogating from whatsoever appearing in the First Part (general definitions for all policy chapters), this Part shall be subject to all the definitions detailed in paragraphs 4.2.3 (layup or interruption of operations), 4.2.4 (increased operating expenses) and 4.2.10 (deductible) above. In addition, the following definitions shall also apply. Insofar as a contradiction exists between the policy general definitions and the following definitions, the definitions hereunder shall apply:

### 5.2.1 Income

Monies which are paid or are payable to the insured in the course of its business, after deducting the cost of expenses for maintaining and operating its business; deduction of the cost of the purchases for its business and deduction of the saved expenses.

### 5.2.2 Loss of income

The difference between the normal income and the actual income in the course of the indemnification period.

### 5.2.3 The indemnification period

The period specified in the schedule, in which the insured's business results are affected due to the damage, commencing from the day of the layup or interruption in operations following the damage event which is covered under Part 1A, and ending upon termination of the layup and/or interruption in operations - and no later than 100 days thereafter - unless otherwise noted in the schedule.

## 5.3 Special exclusions in regard to Part 1C

Unless otherwise noted in the schedule, contrary to whatsoever appearing in Paragraph 6 of the Third Part - general exclusions to all parts of the policy (regarding consequential loss), and without derogating from whatsoever appearing in the Third Part (general exclusion to all the policy chapters), the insurer shall not indemnify the insured and will not pay any insurance benefits under this Part 1C, in respect of or in connection with an insured event which is caused or arises, directly or indirectly, in connection with all of the following:

5.3.1 Loss or increased expenses resulting from an event which is not covered under Part 1A of this policy, also where Part 1A of this policy is not in effect.

5.3.2 Loss or increased expenses resulting from damage to property, caused due to the risks listed in paragraph 3.3.3 of Part 1A above (burglary and robbery), even if the insurance under Part 1A is extended to include this cover.

5.3.3 Loss or increased expenses resulting from damage which is excluded by paragraph 2.2 of the exclusion to the First Chapter (exclusion in regard to electricity, voltage, overload, etc.), even if the insurance under Part 1A is extended to cover these risks.

5.3.4 Loss or increased expenses resulting from the liquidation of the business, its transfer to a liquidator or a receiver and/or winding-up of the business's activities.

5.3.5 Loss or increased expenses caused by the following events, which occur in the course of the indemnification period:

5.3.5.1 Restrictions imposed by a public, local or governmental authority;

5.3.5.2 Improvements, modifications or renovations in the course of repairing or replacing the damaged property.

5.4 Special conditions for Chapter 1 C

5.4.1 The basis for calculating the sum insured

The sum insured according to this chapter shall be determined on a daily compensation basis as detailed in the schedule, and will be based on the sum of the average daily income of the business in net terms, after deducting capital income, one-time income and tax - multiplied by the number of compensation days included in the indemnification period .

5.4.2 The basis for calculating the insurance benefits

The insurer shall indemnify the insured for loss of income and/or increased operating expenses, and the insurance benefits shall be calculated as follows:

5.4.2.1 In regard to loss of oncome

The multiplicand of the number of days of layup of the operations (according to the indemnification period specified in the schedule), by the sum of the daily compensation specified in the schedule.

5.4.2.2 In respect of increased operating expenses

The increased, reasonable and necessary operating expenses, actually incurred by the insured in the course of the indemnification period, expended in order to reduce or prevent the layup or interruption in the operations;

However, the insurer's liability shall not exceed the total compensation which would have been due to the insured had such additional expenses not been incurred.

In addition, the insurer shall not compensate the insured for saved expenses and same shall be deducted from the daily compensation listed in the schedule.

5.4.3 Underinsurance

If, at the time of the occurrence of the insured event, the sum insured specified in the schedule for Part 1C is lower than the sum insured which should have been insured in accordance with whatsoever appearing in paragraph 5.4.1 above (the basis for determining the sum insured), the insurer's liability will be reduced and the insurance benefits will be paid only partially, according to the ratio between the sum insured specified in the schedule for Part 1C and the sum insured which should have been insured in accordance with whatsoever appearing in paragraph 5.4.1 above (the basis for determining the sum insured).



## **Chapter Two - Property in Transit**

In the event that the schedule notes that the Second Chapter - Property in Transit - is valid, the insurer shall indemnify the insured subject to whatsoever appearing in the policy preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Second Chapter and the schedule, in respect of for an insured event as defined hereunder, which occurs within the boundaries of the State and during the insurance period, in accordance with everything detailed hereunder:

1. **Definition of the insured event for the Second Chapter**  
Damage to the insured property which is caused in the normal and accepted course of transporting the insured property by motorized land vehicle within the boundaries of the State, as a result of an accidental and unforeseen event as a result of any of the risks covered under this chapter, which is not excluded according to the policy general exclusions and/or the exclusions detailed hereunder in regard to this chapter.
2. **Additional definitions for the Second Chapter**  
Without derogating from whatsoever appearing in the First Part (general definitions for all the policy chapters), the following definitions shall also apply to this chapter. Insofar as a contradiction exists between the Policy General Definitions and the following definitions, the definitions hereunder shall apply:
  - 2.1 The insured property  
Goods and/or cargos used by the business, which belong to the insured or are in its possession and for which it is responsible, as detailed in the schedule.
  - 2.2 The risks covered under this chapter  
One or more of the following risks:
    - 2.2.1 Fire, lightning, explosion;
    - 2.2.2 Overturning or collision of the vehicle on which the insured property is loaded and transported;
    - 2.2.3 Damage caused by rainwater to the insured property which is protected by a waterproof cover – which is in proper condition - and loaded on the vehicle.
  - 2.3 Transport  
Direct transportation or during the distribution of the insured property to its destination, in a motorized land vehicle as defined in the Motor Vehicle Insurance Ordinance, during the period from the moment the transporting vehicle begins moving from- or close to the site of origin, until it stops at the premises for which the property is intended, including a parking period which constitutes a stop for refreshment purposes, for no longer than half an hour during such transportation.
  - 2.4 Collision  
Physical collision of the transporting vehicle or the trailer attached to it, in the course of the transportation.
  - 2.5 Daytime hours  
The hours during the day, between 7:00 a.m. and 20:00 p.m. in the evening.

- 2.6 Nighttime hours  
The hours during the evening and night, between 20:00 p.m. and 7:00 a.m. the next day.

**3. Exclusions to the Second Chapter**

Unless otherwise specified in the schedule, without derogating from whatsoever appearing in the Third Part (general exclusions for all policy chapters), the insurer shall not indemnify the insured and will not pay any insurance benefits under this Second Chapter, in respect of or in connection with an insured event which is caused or arises, directly or indirectly, In connection with all the following:

- 3.1 Gradual loss and/or damage or gradual deterioration.
- 3.2 Loss and/or damage due to self-fermentation, heating or spontaneous combustion of the property.
- 3.3 Loss and/or damage resulting from leakage from a container made of a fragile material, or which, due to its normal properties, may be cracked or crushed.
- 3.4 Loss and/or damage to one or more of the following property types, which are not included in this insurance:
- 3.4.1 Works of art, jewelry, precious stones, precious metal ingots, money, bills, coins, securities, documents of any type, checks, guarantee documents, credit cards, purchase, fuel or other payment vouchers, gift cards, electronic payment cards and stamps.
- 3.4.2 Motor vehicles and/or other motorized vehicles.
- 3.4.3 Explosives, fireworks, ammunition, explosive devices, fuses, detonators, etc., poisons, chemicals, fuels and gas of any type.
- 3.4.4 Eggs.
- 3.4.5 Animals.
- 3.4.6 Porcelain, glass, ceramics and the like.
- 3.5 Loss and/or damage when the transporting vehicle:
- 3.5.1 Is not in a suitable condition for transporting the insured property.
- 3.5.2 Is loaded with a quantity or in a manner which is not permitted according to the transporting vehicle license and/or traffic regulations.
- 3.5.3 Is driven by a person who does not have a valid license to drive the vehicle, or is driven by a person under the influence of drugs.
- 3.5.4 Is in the process of inspection, trial or test.
- 3.6 Loss and/or damage, which at the time of the loss and/or damage is covered by marine or aviation insurance, arranged by or on behalf of the insured, except for any excess damage sum in excess of the sum insured under the marine or aviation policy

or policies. In the event that the cover under such marine or aviation insurance is canceled due to this insurance, this exclusion shall not apply.

- 3.7 Loss and/or damage caused by a typhoon, hurricane, tornado, cyclone, or similar atmospheric phenomenon.
- 3.8 Loss and/or damage caused to the information stored in documents, maps, plans and drawings, recording and photographic film, account or other business books, magnetic diskettes and other means of storing information.

4. **Additional covers under the Second Chapter - valid only if explicitly Stated**

If explicitly stated in the schedule, the covers detailed hereunder shall apply subject to whatsoever appearing in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Second Chapter and the schedule, in accordance with everything detailed hereunder and only in regard to the property insured by this chapter.

For the sake of good order, it is hereby clarified that the insurer's liability under each of the following risks shall be subject to the sums insured/ limits of liability specified in regard to such cover (if at all), and subject to the definition of the sum insured / limit of liability in the policy preamble.

4.1 Loading and offloading

Damage caused to the insured property during loading and offloading of the insured property, onto or from the vehicle or its immediate vicinity, immediately before or after its loading or offloading, as a result of loading or offloading.

Notwithstanding the aforementioned, this risk shall not cover damage to the insured property, even if it is caused during loading or offloading, if the loading or offloading are carried out using tools, devices or cranes (hereinafter "tools") whose operation requires a license according to law, and the operator of the devices does not possess a legal license to operate the tools .

In addition, this risk shall not cover damage to the insured property during hoisting of the cargos as part of loading or offloading to a height exceeding 5 meters off ground level.

4.2 Damage as a result of a sudden stop

Damage caused by a sudden stop of the transporting vehicle, which was necessary to prevent a road accident – sustained by the insured property, while it is fastened, tied or well anchored to the transporting vehicle and to it, by all the means accepted or required by law for that cargo type in the transportation industry, which is intended to prevent falling event.

4.3 Damage as a result of an accidental fall

Damage as a result of an accidental fall of the insured property from the transporting vehicle, while traveling, while the insured property is fastened, tied or firmly anchored to the transporting vehicle and to it, by all the means accepted or required by law for that cargo type in the transportation industry, which is intended to prevent falling event.

4.4 Damage as a result of the theft of the vehicle

Damage to the insured property while being transported by a vehicle, including during intermediate parking during its transportation - constituting a stop for

refreshment purposes for no more than half an hour during the transportation - during the daytime and/or during loading and offloading, insofar as loading and offloading cover is purchased as aforementioned, as a result of theft a vehicle which is protected as follows:

By means of an immobilizer system which disconnects two locations, a metal cover on the engine management computer (if a computer exists as aforementioned) and a Kodanit secret code.

4.4.1 Unless otherwise noted in the schedule, it is clarified that:

4.4.1.1 Leaving a vehicle outside of the insured's customary work hours, whether on the business premises or not, after being loaded in order to start the journey during the insured's customary work hours, will not be deemed an intermediate parking in the course of the transportation.

4.4.1.2 Property on a trailer which is not attached to the trailer (the vehicle) – shall not be covered.

4.4.2 If explicitly noted in the schedule that the cover under this extension will apply during nighttime, the insurance shall also apply, as noted in this paragraph 4.4, to damage to the insured property as a result of the theft of the vehicle during nighttime. However the insurer's liability in respect of theft of the contents of the vehicle during nighttime is limited to 50% of the sum insured for the cover for damage as resulting from theft of the vehicle during the daytime.

4.5 Burglary

Loss of the insured property, or damage caused to the insured property while being transported by a vehicle, including during intermediate parking as part of the transportation, provided that we are referring to a stop for refreshment purposes, for no more than half an hour during the daytime, as a result of the transporting vehicle being broken into, where:

4.5.1 The property is transported in a closed compartment of the transporting vehicle, and the transporting vehicle and all its doors and compartments are closed, locked and protected by means of a proper and activated alarm system, which transmits to the insured's mobile phone and/or to whomsoever on its behalf as detailed in the schedule and in accordance with the insurer's requirements; as well as -

4.5.2 The burglary took place during the daytime.

4.5.3 Definition of the term "burglary" for the purpose of this cover  
Theft of the insured property or a part thereof from the transporting vehicle, which is perpetrated after intrusion into that vehicle, and provided that the intrusion is performed violently and forcefully, where signs indicating use of violence or force remain at the intrusion site.

4.5.4 Unless otherwise noted in the schedule document, it is hereby clarified that:

4.5.4.1 Leaving a vehicle after it is loaded, outside of the insured's customary work hours, whether on the business premises or not, in

order to start the journey during the insured's customary work hours, will not be deemed intermediate parking in the course of the transportation.

4.5.4.2 Property on a trailer which is not attached to the trailer (the vehicle) – shall not be covered.

4.5.5 If explicitly noted in the schedule that this cover extension will apply during nighttime, as note in this paragraph 4.5, the insurance shall also apply to damage to the insured property which is caused during nighttime, however the insurer's liability shall be limited to 50% of the sum insured regarding burglary insurance during the daytime.

4.5.6 Flood  
As defined in paragraph 3.3.1.2 of Part 1A of the First Chapter above (building and contents insurance).

4.5.7 Earthquake  
As defined in paragraph 3.3.2 of Part 1A of the First Chapter above (building and contents insurance).

4.6 Special conditions for the Second Chapter:

4.6.1 The basis for determining the sums insured  
The sum insured stated in the schedule is on a first loss basis which is not subject to underinsurance.

4.6.2 The basis for calculating the insurance benefits  
The insurance benefits due to the insured under this chapter shall be paid according to the value of the property which is lost or damaged, as it is at the time of the loss or damage, however, no more than the sum insured specified in the schedule for the purposes of this chapter.

4.6.3 Reinstatement of the sum insured at the insured's request  
Notwithstanding whatsoever appearing in the General Conditions of the Policy regarding reduction of the sum insured following a loss or damage, at the request of the insured, the sum insured under this chapter shall be reinstated and the insured shall pay the insurer the additional insurance fees due for such reinstatement, from the date of reinstatement and until the end of the insurance period.

The insurance fees for this matter shall mean the multiplicand of the insurance benefits by the rate of the insurance fees for the insurance risks, calculated for the remaining insurance period.

## **Chapter Three – Money Insurance**

If the schedule notes that Chapter Three – Money Insurance - is valid, the insurer shall indemnify the insured subject to whatsoever appearing in the policy preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Third Chapter and the schedule, in respect of for an insured event as defined hereunder, which occurs within the boundaries of the State and during the insurance period, in accordance with everything detailed hereunder:

1. **Definition of the insured event for the Third Chapter**

Sudden and unforeseen physical loss or damage to the business monies, as a result of the insured risks, while located at the business, in a protected and locked safe or in a security room, or outside the business - only during direct transfer from place to place, ,while under the personal supervision of the insured or any qualified employee, during work hours, which is not excluded by to the general exclusions to the policy and/or according to the following exclusions in regard to this chapter.

2. **Additional definitions for the Third Chapter**

Without derogating from whatsoever appearing in the First Part (general definitions for all the policy chapters), the following definitions shall also apply to this chapter. Insofar as a contradiction exists between the Policy General Definitions and the following definitions, the definitions hereunder shall apply:

2.1 Money

Cash, bills, coins, notes, checks, postal checks, traveler's checks, securities, tickets/ vouchers/ purchase vouchers, payment slips, medals, fuel and gift vouchers, gift and electronic payment cards, promissory notes, bills of exchange , securities, negotiable bonds, account, revenue and postage stamps, as well as debentures of any type and any other negotiable instrument with a nominal monetary value, however, excluding any other electronic means of payment of any type.

It is clarified that blank checks will not be considered money for the purposes of this policy.

2.2 The insured risks

2.2.1 In regard to money in transit

Any risk which is not excluded from the cover according to the exclusions to this Third Chapter.

2.2.2 In regard to money in a safe

2.2.2.1 Fire, explosion;

2.2.2.2 Burglary and robbery;

2.2.2.3 Theft by use of the key of the locked safe or locked security room where the money are kept, when the business is closed and no activities are underway, where the key is obtained by breaking in - which leaves signs indicating use of force or violence – in order to enter and/or exit the insured's home or private home, or the home of an employees of the business, who legally holds the keys to the safe on a permanent basis.

- 2.3 Burglary and robbery
- 2.3.1 Burglary  
Theft of the money from the business in the course of burglary as defined in paragraph 3.3.3.1 in Part 1A of the First Chapter above (building and contents insurance).
- 2.3.2 Robbery  
Theft of money during a robbery as defined in paragraph 3.3.3.3 in Part 1A of the First Chapter above (building and contents insurance).
- 2.3.3 Burglary and robbery risks do not include loss or damage caused by:
- 2.3.3.1 By the insured, by one of its employees or by any other person who is permitted to be at the insured business on behalf of the insured or in cooperation with any of the aforementioned.
- 2.3.3.2 To the insured property while outside a closed and locked building, or when the insured property is not accompanied by the insured, any of its employees or whomsoever on its behalf.
- 2.4 Safe  
Unless otherwise specified in the schedule, a safe weighing no less than 400kg, or alternatively a safe weighing no less than 200kg, which is anchored to the floor or a wall inside the business; or alternatively a safe whose outer steel thickness is no less than 10mm, embedded, which is fixed in concrete in a wall or floor in the business.
- It is hereby clarified that whatsoever appearing in this chapter hereunder (*mutatis mutandis*) regarding a safe shall apply appropriately to a security room.
- For this purpose, "security room" shall mean a room whose ceiling, walls and floor is made of cast concrete, not less than 20cm thick, located inside the business building, which is locked with a steel door not less than 10 mm thick and locked with a multi-bolt safe lock.
- 2.5 Work hours  
The hours during which the business noted in the schedule is actually operated, for the purpose of managing the insured's business and during which the insured and/or any of its authorized employees are in the business and/or possess the keys to the safe and/or passwords to open the safe and/or the insured money, and/or during the hours when money is transferred from place to place by the insured and/or any of its authorized employees who are in possession of the insured money.
- 2.6 From place to place  
Directly en-route from the business to banks and/or other payment locations and/or to customers' premises and/or suppliers' premises; and directly en-route back from the aforementioned places to the business, and/or during collection, directly from customer to customer throughout the State.
- 2.7 Authorized employee  
An employee employed by the business, who is authorized by the insured to handle, hold in its possession, receive, transfer and deliver money, who is 18 years of age or older.

**3. Special exclusions to the Third Chapter**

Unless otherwise specified in the schedule, without derogating from whatsoever appearing in the Third Part (general exclusions to all policy chapters), the insurer will not indemnify the insured and will not pay any insurance benefits under this Third Chapter, due to or in connection with an insured event which is caused or arises, directly or indirectly, In connection with all the following:

- 3.1 Loss or damage to money from a vehicle, which is not under the continuous supervision of the insured and/or whomsoever on its behalf.
- 3.2 Consequential loss or damage of any type, including loss of profit, loss of market, work layup, any stay or delay, depreciation or change in the currency exchange rate.
- 3.3 Fraud and/or dishonesty and/or breach of trust by the insured's employee and/or employees, excluding messengers who are not employees of the insured, who steal and abscond with the money.
- 3.4 Loss or damage due to an insured event involving the money, while at the business, due to its theft, not in the course of a break-in into the business and/or its theft which is perpetrated not in the framework of a robbery.
- 3.5 Full or partial forgery of checks and/or any other negotiable instrument.
- 3.6 Loss or damage to electronic payment means of any type, except those defined in paragraph 2.1 above (definition of "money"), and which were specified therein as insured.
- 3.7 Monetary deficiency or shortage as a result of omissions, errors or malicious acts.
- 3.8 Depreciation in the value of the currency or a change in the exchange rate.
- 3.9 Damage and/or loss discovered when counting the money.

**4. Extensions to the Third Chapter**

The following extensions shall apply subject to whatsoever appearing in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Third Chapter, in accordance with everything detailed hereunder and only in regard to the money insured under this chapter.

For the sake of good order, it is hereby clarified that the insurer's liability under each extension as detailed hereunder shall be subject to the sums insured/ limits of liability specified in regard to that extension (if at all), and subject to the definition of the sum insured/ limit of liability in the policy preamble.

- 4.1 Money in a cash register in the insured business  
The insurance under this chapter shall be extended to cover the business monies which are under constant supervision, in a cash register drawer in the business, only during work hours, only against the risks of fire, explosion and robbery;

The insurer's liability under this extension shall not exceed 25% of the sum insured specified in the schedule regarding insurance of money in the safe.



- 4.2 Extension in regard to money in the business, when counting money and preparing for their transfer from one place to another  
The insurance under this chapter is extended to cover the business monies, while the money is being counted and prepared for transfer from one place to another.

The cover under this extension is only in regard to robbery and only during work hours. The insurer's liability according to this extension shall not exceed the sum insured specified in the schedule regarding money insurance.

- 4.3 Money which is transferred outside work hours  
The insurance under this chapter shall be extended to cover the business monies in respect of an insured event which occurs while same are transferred by the insured and/or its authorized employees from place to place; including their transfer directly to their apartments outside work hours, within the boundaries of the State and directly from their apartments to the insured business and from their homes to the banks.

The insurer's liability under this extension shall not exceed 25% of the sum insured specified in the schedule regarding money insurance.

- 4.4 Money in the private apartments of the insured and/or its authorized employees  
The insurance under this chapter shall be extended to cover monies while at the private apartments of the insured and/or its authorized employees outside work hours, only in regard to the risks of fire, explosion, burglary and robbery.

Without derogating from the generalities of whatsoever appearing in condition 6 of Part Five (general conditions of the policy) regarding risk mitigation measures, a measure to mitigate the insurer's risk for the purpose of this extension is presence of an adult - 17 years age or older – at the apartment when the monies are in the apartment, and that the monies being in a locked and protected place.

The insurer's liability under this extension shall not exceed 25% of the sum insured specified in the schedule regarding money insurance.

- 4.5 Loss or damage caused to the safe itself  
The insurance under this chapter shall be extended to cover loss or damage due to an insured event involving the safe, only in regard to the risks of fire, explosion, burglary, robbery or any attempt thereat. The insurer's liability under this extension shall not exceed 10% of the sum insured specified in the schedule regarding money insurance.

## 5. **Special conditions for the Third Chapter**

- 5.1 Measures to mitigate the insured's risk  
Without derogating from the generalities of the aforementioned whatsoever appearing in condition 6 of Part Five (general conditions for the policy) regarding risk mitigation measures, measures to mitigate the insurer's risk regarding money insurance under this chapter shall be as follows:

5.1.1 Immediately after the occurrence of the insured event, the insured shall initiate all reasonable steps necessary to cancel the missing monies which can be canceled, e.g., checks, payment vouchers, payment cards, etc.

5.1.2 In everything relating to checks - the checks (relays) shall be drawn.

- 5.1.3 Conducting records - the insured must maintain books of account and cash registries.
- 5.2 The basis for determining the sums insured  
The sum insured stated in the schedule is on a first loss basis, which is not subject to underinsurance.
- 5.3 The basis for calculating the insurance benefits  
The insured shall have the right to choose between one of the following compensation methods:
  - 5.3.1 Actual payment for the actual loss or damage caused to the monies;
  - 5.3.2 Indemnification for expenses actually incurred by the insured for canceling or recovering monies - except for cash - which are lost or damaged due to an insured event.
- 5.4 Reinstatement of the sum insured at the insured's request  
Notwithstanding whatsoever appearing in the General Conditions of the Policy regarding reduction of the sum insured following damage, upon the occurrence of loss or damage, at the request of the insured, the sum insured under this chapter shall be reinstated and the insured shall pay the insurer the additional insurance fees due for such reinstatement, from the date of reinstatement and until the end of the insurance period.

The insurance fees for this matter shall mean the multiplicand of the insurance benefits by the rate of the insurance fees for the insurance risks, calculated for the remaining insurance period.

## **Chapter Four – Electronic Equipment**

If the schedule notes that Chapter Four – Electronic Equipment Insurance - is valid, the insurer shall indemnify the insured subject to whatsoever appearing in the policy preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Four and the schedule, in respect of for an insured event as defined hereunder, which occurs within the boundaries of the State and during the insurance period, in accordance with everything detailed hereunder:

1. **Definition of the insured event for Chapter Four**

Physical, accidental and unforeseen loss or damage caused to the insured property, in the course of the insurance period, for any reason which is not reserved and is not excluded under the general exclusions to the policy and/or according to the exclusions detailed hereunder in regard to this chapter.

2. **Additional definitions for Chapter Four**

Without derogating from whatsoever appearing in the First Part (general definitions for all the policy chapters), the following definitions shall also apply to this chapter. Insofar as a contradiction exists between the Policy General Definitions and the following definitions, the definitions hereunder shall apply:

2.1 The insured property

Electronic equipment and/or computerized equipment and/or electronic equipment, as detailed in the schedule for the purpose of this chapter, while located in the insured business. It should be clarified that:

2.1.1 As long as the running-in period of an item has not yet ended, for the first time with the insured, that item will not be deemed insured property, and the insurance shall not apply to such item until the end of its running-in period.

2.1.2 In the event that for the purpose of electronic equipment insurance cover, the schedule notes that a certain item is portable, the insurance shall apply in regard thereto, subject to whatsoever appearing in paragraph 3.6.3 of Part 1A of the First Chapter above (cover for portable equipment outside the business), while located anywhere within the boundaries of the State.

3. **Special exclusions to Chapter Four**

Unless otherwise stated in the schedule, without derogating from whatsoever appearing in the Part Three (general exclusions to all the policy chapters), the insurer will not indemnify the insured, nor will it pay any insurance benefits under this Chapter Four, due to or in connection with an insured event which is caused or arises, directly or indirectly, In connection with everything detailed hereunder:

3.1 Loss or damage caused due to the insured risks, as well as those that are insurable in the First Chapter of the policy.

3.2 Defects or flaws which existed before inception of the insurance period, unless same were unknown to the insured at that time.

3.3 Failure or irregularity in service or public electricity supply.  
This exclusion shall not apply to equipment items which are connected to the current source through a proper ON-LINE UPS (or other) voltage stabilizer.

- 3.4 Wear and tear, corrosion, rusting of any part of the insured property, either caused or resulted naturally from normal use or normal operation, or originating from gradual deterioration, or caused by scratching of painted or polished surfaces. This exclusion is limited to that part which is lost or damaged as a result of the aforementioned causes.
- 3.5 Any cause and factor which under the lawful responsibility of the person who produced or supplied the insured property, repaired it or is responsible under a contract for its maintenance. This, whether its responsibility is by law or by virtue of a contract or otherwise.

In the event that the aforementioned entity refutes its responsibility and the insured endorses to the insurer the warranty certificate which is in its possession - or any contractual right which it has against the manufacturer, supplier, repairer or maintainer - the insurer will pay the loss or damage fees, insofar as same are covered under this policy.

- 3.6 Expenses associated with and related to correction and/or removal of operational defects, except for defects created as a result of another loss or damage which is covered by this policy.
- 3.7 Expenses associated with and related to repairs and/or periodic preventive servicing.
- 3.8 Expenses associated with and related to upkeep and maintenance of the insured equipment items. This exclusion shall also apply to parts which are replaced as part of upkeep and/or maintenance operations.
- 3.9 Loss or damage caused outside the insured business, unless caused to mobile/ portable equipment which is specified as such in the schedule, and for which a mobile/ portable equipment extension is purchased.
- 3.10 Loss or damage to light bulbs, tubes, films, strips and other perishable accessories, oils and chemicals, unless caused subsequent to- and due to accidental damage to other parts of the insured property. In such case the indemnification for the aforementioned shall be limited to their remaining lifetime.
- 3.11 Aesthetic defects, unless caused subsequent to- and due to damage to other parts of the insured property which is covered by the policy.
- 3.12 Loss or damage which occurs due to theft not in the course of burglary or robbery, as defined in the paragraph 3.3.3 of Part 1A.
- 3.13 Loss or damage to property, which at the time of the damage was covered by marine or aviation insurance which is arranged by the insured or on its behalf, except for any damage sum which is in excess of the sum insured according to the aforementioned marine or aviation insurance policy or policies, all subject to the "covered risks" and "additional risks" paragraphs as detailed hereunder.

In the event that the cover according to the aforementioned marine or aviation insurance is canceled due to this insurance, whatsoever appearing in this exclusion shall not apply.

4. **Additional covers for Chapter Four** (valid only if explicitly stated in the schedule)  
If explicitly stated in the schedule, the following covers shall apply only to the contents insurance, subject to whatsoever appearing in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Four, in accordance with everything detailed hereunder and only in regard to the property insured under this chapter.

For the sake of good order, it is hereby clarified that the insurer's liability under each cover as detailed hereunder shall be subject to the sums insured/ limits of liability specified in regard to such cover (if at all), and subject to the definition of the sum insured/ limit of liability in the policy preamble.

4.1 Cover for data and software restoration

If explicitly stated in the schedule that this cover is valid, then the cover shall also apply in respect of an insured event to cover data and software restoration, subject to the following conditions:

- 4.1.1 Definition of the insured event for data and software restoration cover  
Loss or damage to the data and software which is stored/ collected/ located in the insured property according to this Chapter Four, as a result of an insured event which is covered under this Chapter Four, and where the insured restores the data and software within the maximum period stated in the schedule, which is not excluded by to the general exclusions to the policy and/or the following exclusions in regard to this chapter. For this matter, it should be clarified that:
- 4.1.2 The insurer will indemnify the insured in respect of the insured event as defined in this cover, only where the restoration is actually performed within the maximum period specified in the schedule for restoration, commencing on the day the insured event under this Chapter Four (Paragraph 1 of this Chapter Four, above).
- 4.1.3 In the event that the maximum period for restoration is not specified in the schedule, then the restoration period will be 6 months from the date of occurrence of the insured event under this Chapter Four (Paragraph 1 of this Chapter Four, above).
- 4.1.4 Special exclusion to cover for data and software restoration  
Without derogating from whatsoever appearing in Part Three of the policy (general exclusions to all parts of the policy), and without derogating from whatsoever appearing in the exclusions to this Chapter Four, the insurer will not indemnify the insured and will not pay any insurance benefits for data/ software restoration, due to- or in connection with an insured event which is caused by or arises from, directly or indirectly, in connection with defects which originate from programming, punching, sorting, retrieval, construction, as well as from changes, replacement or cancellation of records.
- 4.1.5 Special conditions for data and software restoration cover:
- 4.1.5.1 The basis for determining the sum insured  
The sum insured for data and software restoration is determined on a first loss basis which is not subject to underinsurance conditions.

#### 4.1.5.2 The basis for calculating the indemnification

The insurer shall indemnify the insured for actual expenses, which will be necessary to return the data and software which are insured under this cover to their condition, as existing soon before occurrence of the insured event.

#### 4.2 Cover of additional operating expenses

If explicitly stated in the schedule that this cover is valid, then the cover shall also apply in respect of the insured event to cover additional operating expenses, subject to the following conditions:

##### 4.2.1 Definition of the insured event for data and software restoration cover

Additional operating expenses actually incurred in the course of the indemnification period as defined hereunder, which are not excluded by the general exclusions to the policy and/or by the exclusions detailed hereunder in regard to this chapter.

4.2.2 For the purposes of this cover, additional operating expenses shall mean expenses resulting from use of substitute or additional means for the purpose of operating alternative property, other than the insured property which is damaged due to an insured event under this Chapter Four, with performance which is similar to the insured property.

4.2.3 For the purpose of this cover – the maximum daily indemnification sum  
The maximum sum which will be paid for each day in which additional operating expenses are incurred – which are covered under this cover - as determined in the schedule.

##### 4.2.4 For the purpose of this cover - the indemnification period

The period noted in the schedule as the indemnification period, which constitutes the maximum period during which the cover shall apply in regard to the insured event - additional operating expenses – commencing on the date the insured begins using alternative or additional means.

In the event that the indemnification period is not specified in the schedule, then this period shall be 6 months from the date of occurrence of the insured event for cover electronic equipment cover.

##### 4.2.5 Special exclusion to the cover for additional operating expenses

Without derogating from whatsoever appearing in Part Three of the policy (general exclusion to all parts of the policy), and without derogating from the general exclusions to this chapter, the insurer will not indemnify the insured, nor will it pay any insurance benefits in respect of or in connection with an insured event caused by- or resulting from, directly or indirectly, any restrictions imposed by any public or government authority, or delays which are dependent on such public authority.

##### 4.2.6 Special conditions for cover in regard to additional operating expenses:

###### 4.2.6.1 The basis for determining the sum insured

The sum insured regarding additional operating expenses is determined on a first loss basis which is not subject to underinsurance conditions.

4.2.6.2 The indemnification will be determined according to the cover of additional operating expenses actually incurred by the insured.

4.2.6.3 The daily indemnification sum under this chapter shall not exceed the maximum daily indemnification sum specified in the schedule.

4.2.6.4 The total indemnification for the entire insurance period shall not exceed the indemnification sum specified in the schedule for the indemnification period.

## 5. **Special conditions for Chapter Four**

### 5.1 The basis for determining the sum insured

The sum insured for electronic equipment shall be the cost of replacing the insured property with a new property of the same type and with the same output capacity. This cost includes: transport fees, set-up costs, levies and taxes (if applicable). In the event that there is no new property on the market which is identical to the insured property, the sum insured will be the last price determined for the insured property - as new - by the authorized manufacturer's representative in Israel.

Whatsoever appearing in this condition shall not apply with the additional covers listed in paragraphs 4.1 and 4.2 above (cover for data and software restoration as well as cover for additional operating expenses, respectively), in respect of which whatsoever appearing in paragraphs 4.1.5.1 and 4.2.6.1 respectively shall apply (on a first loss basis).

### 5.2 The basis for the calculation of the insurance benefits

Upon the occurrence of loss or damage which is covered under this cover, the insurer, at its discretion, may choose one or more of the following compensation methods: indemnification, repair or replacement; all as detailed hereunder:

#### 5.2.1 Compensation in the event of partial loss

In the event of partial loss, the insurer will indemnify the insured for all expenses necessary in order to return the damaged item to its operational condition prior to the event within a reasonable time to. The insurer will also pay the costs for dismantling and reconstruction incurred in order to carry out the repairs, as well as the usual transport fees to the laboratory and levies, if any apply.

In the event that the repairs are carried out by the insured, the insurer will pay the cost of the materials and labor which are incurred in order to carry out the repairs. It should be clarified that the insurer will not pay for changes, additions, improvements or general renovations which are carried out in the course of the repairs.

For the purposes of this paragraph, "partial loss" shall be interpreted as follows: damage which may be repaired, where the cost of repair is lower than total loss.

#### 5.2.2 Compensation in the event of total loss

In the event of total loss, the insurer will pay the cost for purchasing a new, identical item. In the event an identical new item is no longer available, the insurer will pay the cost for purchasing a new item closest to the damaged item.

For the purposes of this paragraph, "total loss" shall be interpreted as follows: any of the following events:

5.2.2.1 The item is completely destroyed, or damaged to the extent that repair is impossible.

5.2.2.2 The item is lost as a result of theft or another event which is covered by the policy.

5.2.2.3 The cost of repairing the damaged item exceeds or is equal to the value of an identical or similar item which may be purchased in its place.

5.2.3 It is hereby clarified that in the event that a period of five years has elapsed since the date of first use of the equipment item which is was lost or damaged, or since the date when the item underwent a complete overhaul – the later of the two - wear and tear will be deducted from the insurance benefits, taking into account the condition of the insured property immediately prior to the date of occurrence of the insured event.

5.2.4 Expenses which are not included in the compensation  
Compensation granted in regard to loss or damage to hardware shall not include costs for transportation or moving the insured property and/or costs for employing workers, insofar as such expenses are required in connection with activities outside the boundaries of the State.

In addition, no expenses will be paid in regard to overtime work or work on Saturdays or holidays.

5.2.5 In the event that the insurer chooses to compensate the insured by way of repair or replacement, whatsoever appearing in paragraphs 5.2.2-5.2.4 (inclusive) above shall apply, *mutatis mutandis*.

### 5.3 Underinsurance

If, at the time of the occurrence of the insured event, the sum insured specified in the schedule for Chapter Four is lower than the sum insured required in accordance with paragraph 5.1 above (basis for determining the sum insured), the insurer's liability will be reduced and the insurance benefits will be paid only partially, according to the ratio between the sum insured specified in the schedule for Chapter Four and the sum which should have been insured in accordance with whatsoever appearing in paragraph 5.1 above (basis for determining the sum insured).

Whatsoever appearing in this condition shall not apply with the additional covers listed in paragraphs 4.1 and 4.2 above (cover for data and software restoration as well as cover for additional operating expenses, respectively), in respect of which whatsoever appearing in paragraphs 4.1.5.1 and 4.2.6.1 respectively shall apply (on a first loss basis).

### 5.4 Risk mitigation measures

without derogating from whatsoever appearing in condition 6 of Part Five (general conditions of the policy) regarding risk mitigation measures, the means to mitigate the insurer's risk for the purpose of this chapter shall be:



- 5.4.1 Insofar as referring to internal loss or damage which is sustained by the insured property under this chapter - the insured shall have a valid maintenance agreement with a computer/ electronic equipment maintenance company, or alternatively, the insured shall ensure proper maintenance of the insured property in accordance with the manufacturer's instructions.
- 5.4.2 The insured shall initiate reasonable measures to maintain the insured property in proper working order. For this purpose, the insured shall establish proper work procedures in order to maintain the insured property, and ensure that same are fulfilled.
- 5.4.3 The insured shall ensure that none of the insured property items are intentionally subjected to conditions which deviate from the manufacturer's instructions.

## **Chapter Five – Mechanical Breakdown**

If the schedule notes that Chapter Five – Mechanical Breakdown Insurance - is valid, the insurer shall indemnify the insured subject to whatsoever appearing in the policy preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Five and the schedule, in respect of for an insured event as defined hereunder, which occurs within the boundaries of the State and during the insurance period, in accordance with everything detailed hereunder:

1. **Definition of the insured event for Chapter Five**

Loss or damage due to mechanical breakdown, caused to the insured property under this chapter, in the course of the insurance period, which is not excluded by to the general exclusions of the policy and/or by the following exclusions in regard to this chapter.

2. **Additional definitions for Chapter Five**

Without derogating from whatsoever appearing in the First Part (general definitions for all the policy chapters), the following definitions shall also apply to this chapter. Insofar as a contradiction exists between the Policy General Definitions and the following definitions, the definitions hereunder shall apply:

2.1 The insured property

Machinery and/or mechanical equipment, as specified in the schedule, while at the business and are used for the purposes of the insured's business.

2.2 Mechanical breakdown

Damage caused by an accidental and unforeseen event which requires repair or replacement, which occurred while the insured property was in the business and results from:

2.2.1 Defects and deficiencies in the material, design, construction and assembly, vibrations, defective fit, defective balance, unusual pressures and loads, defective lubrication, overvoltage, defective electrical insulation, short circuit, overheating.

2.2.2 Errors, lack of skill, negligence or malicious acts on behalf of the insured's employees or a third party.

2.2.3 A fall, impact, collision or penetration of foreign bodies.

2.2.4 Sudden collapse of part of the insured property as a result of internal pressure by steam, liquids, air or gas explosion, fire.

2.2.5 Any other reason which is not excluded from the cover under this policy.

3. **Special exclusions to Chapter Five**

Unless otherwise stated in the schedule, without derogating from whatsoever appearing in Part Three (general exclusions to all policy chapters), the insurer shall not indemnify the insured, nor will it pay any insurance benefits under this Chapter Five, in respect of or in connection with an insured event which is caused or arises, directly or Indirectly, in connection with all of the following:

- 3.1 Loss or damage caused due to the insured risks, as well as those which may be insured under the First Chapter of the policy.

Regarding explosion or electrical damages to electrical panels, in the event that the insured possesses insurance under the First Chapter (extended fire insurance and ancillary risks), or an extended fire insurance policy which covers explosion or electrical panels, then this chapter shall cover explosion damages - or electrical damage in significant sums to electrical panels – in excess of the indemnification sum due to the insured in accordance with the cover for explosion or electrical panels (as the case may be) in the First Chapter of this policy or the aforementioned extended fire insurance policy - even without deduction of the deductible - and all subject to everything detailed in the policy and in this chapter.

- 3.2 Loss or damage caused due to attempts and/or trials and/or overload exerted on the insured property, deliberately or not for the purposes for which it is intended.

- 3.3 Loss or damage which are the responsibility of the person who produced the insured property, the person who supplied and/or repaired the insured property – whether such responsibility is under law or by virtue of a contract.

In the event that the aforementioned entity refutes its responsibility and the insured endorses to the insurer the warranty certificate which is in its possession – and/or any contractual right which it has against the manufacturer, supplier or repairer - the insurer shall indemnify the insured in respect of the insured event under this chapter.

- 3.4 Loss or damage caused while any of the insured property items is activated for the first time with the insured, where the customary running-in period for property of that type has not yet elapsed.

- 3.5 Loss or damage as a result of defects or flaws which existed upon inception of the insurance period.

- 3.6 Loss or damage caused to:

3.6.1 Foundations, bricks and construction of any type;

3.6.2. Perishable accessories (e.g.: molds, drills, dies, saws and rollers), as well as straps, belts, ropes, cables, chains, accumulators, electric batteries, tires, brushes, operating materials (e.g.: lubricating oil, fuel, accelerants) and coolants (whether liquid or gas);

3.6.3 Non-metallic materials except hard plastic material and ceramic parts.

- 3.7 Loss or direct damage as a result of wear and tear, rust, corrosion, limescale or scratching of painted or polished surfaces.

- 3.8 Loss or damage caused naturally as a result of normal use of the insured property or from normal work, or whose cause is gradual deterioration.

- 3.9 Loss or damage caused to the materials during processing.

3.10 Loss or damage to the insured property as a result of its continued operation following damage which is not repaired, or whose repair is not approved by the insurer.

3.11 Loss or damage to bulbs, tubes or films.

3.12 Loss or damage caused to property located outside the business building.

4. **Additional cover under Chapter Five: Spoilage of refrigerated goods** (valid only if specifically stated in the schedule):

If explicitly stated in the schedule, the following cover shall apply only to the property insured under this chapter, subject to whatsoever appearing in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Four, in accordance with everything detailed hereunder.

For the sake of good order, it is hereby clarified that the insurer's liability under this cover as detailed hereunder is subject to the definition of the sum insured/ limit of liability in the policy preamble.

This cover will include indemnification in respect of loss or damage to the contents of a refrigerator or cold room, due to layup of the operation of the refrigerator or cold room cooling systems (as the case may be) as a result of an insured event which is covered under this Chapter Five.

Unless otherwise stated in the schedule, this cover shall not include loss or damage:

4.1 Resulting from layup of the operation of the refrigerator for less than 12 hours;

4.2 Resulting from layup of the electric current by the Israel Electric Corporation for any reason;

4.3 Resulting from defective storage or use of unsuitable packaging materials.

5. **Special conditions for Chapter Five**

5.1 The basis for determining the sum insured under Chapter Five  
The insurance basis for this chapter will be determined according to the cost of replacing the insured property with a new property of the same type and same output capacity. This cost shall include expenses for transportation, erection and levies, if applicable. Each item included in the insured property under Chapter Five shall be subject to this condition separately.

5.2 The basis for calculating the indemnification for Chapter Five

5.2.1 Damage which may be repaired  
All expenses necessary to return the damaged item to its operating condition as existing immediately prior occurrence of an insured event, without deduction for depreciation or use. In addition, the insurer will pay the costs of dismantling and reconstruction, the transportation fees to/ from the nearest repair site within the boundaries of the State to the insured's aforementioned address above (round trip) as well as levies (if applicable), which were incurred for the purpose of carrying out the repairs.

In the event that the repairs are carried out in a workshop belonging to the insured, the insurer shall pay the cost of the materials/ spare parts/ parts and labor costs incurred for the repairs.

#### 5.2.2 Total loss

5.2.2.1 In the event that an insured property item is completely destroyed, the insurer will pay the actual monetary value of the item, as existing soon before the damage occurred.

For the purposes of this paragraph, the term "total loss" shall mean: an event in which an insured item is destroyed, or the cost of it being repaired as stated in paragraph 5.2.1 above is equal to, or exceeds the cost of its replacement as stated in this paragraph 5.2.2.

5.2.2.2 The indemnification shall not include the cost of transporting or transferring property or workers outside the boundaries of the State.

5.2.2.3 The indemnification shall not include expenses for urgent delivery, overtime or work on Saturdays or holidays.

5.3 Reinstatement of the sum insured at the insured's request  
Notwithstanding whatsoever appearing in the General Conditions of the Policy regarding reduction of the sum insured following damage, upon the occurrence of an insured event, at the request of the insured, the sum insured under this chapter shall be reinstated and the insured shall pay the insurer the additional insurance fees due for such reinstatement, from the date of reinstatement and until the end of the insurance period.

The insurance fees for this matter shall mean the multiplicand of the insurance benefits by the rate of the insurance fees for the insurance risks, calculated for the remaining insurance period.

5.4 Underinsurance  
If, at the time of the occurrence of the insured event, the sum insured specified in the schedule for Chapter Five is lower than the sum insured required in accordance with paragraph 5.1 above (basis for determining the sum insured), the insurer's liability will be reduced and the insurance benefits will be paid only partially, according to the ratio between the sum insured specified in the schedule for Chapter Five and the sum which should have been insured in accordance with whatsoever appearing in paragraph 5.1 above (basis for determining the sum insured).

5.5 Risk mitigation measures  
without derogating from whatsoever appearing in condition 6 of Part Five (general conditions of the policy) regarding risk mitigation measures, the means to mitigate the insurer's risk for the purpose of this chapter shall be:

5.5.1 The insured shall initiate reasonable measures to keep the insured property in proper working order. For this purpose, it shall establish proper work procedures in order to maintain the insured property, and ensure that same are fulfilled.

- 5.5.2 The insured shall ensure that no item of the insured property will be intentionally subjected to conditions of overload or overvoltage.
- 5.5.3 Each of the insured property items will be operated only by a skilled and certified operator, and if required by law, shall also possess a valid license.
- 5.5.4 The insured shall perform periodic inspections as required by law timeously and possess a test report confirming the operation of the equipment, if such a report is required by law.
- 5.5.5 The insured shall follow the manufacturer's instructions regarding the insured property accurately and fully.

## **Chapter Six – Third Party Liability Insurance**

If the schedule notes that Chapter Six – third party Liability Insurance - is valid, the insurer shall indemnify the insured, or alternatively, will pay insurance benefits to a third party (as the case may be), including expenses in respect of the insured's liability under law, in regard to an insured event as defined hereunder, caused within the boundaries of the State and in the course of the insurance period, subject to whatsoever appearing in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Six and in the schedule, this in accordance with everything detailed hereunder:

Maximum limits of the insurer's liability under Chapter Six:

The insurer's liability under this Chapter Six shall not exceed the maximum sums stated in the schedule as:

- a. The limits of liability per insured event;
- b. The maximum limit of liability for Chapter Six – constituting the limit of liability for all insured events occurring in the course of the insurance period.

The insurer will also bear reasonable legal expenses which the insured will be obliged to bear in respect of an insured event which is covered under this policy (in the event that the limits of liability are exhausted, the insurer will bear reasonable legal expenses pro-rata to the limit of the insurer's liability under this Chapter Six), and this is even in excess of the limits of liability which are specified in the schedule.

In the event that the compensation sum which the insured must pay for a single event - due to the insured event under to this chapter - is higher than the limit of liability per occurrence as specified in the schedule for this chapter, the insurer's liability in regard to reasonable legal expenses will be reduced proportionately, according to the ratio between the limit of liability per occurrence as specified in the schedule and the sum of compensation which the insured will be obliged to pay for such event.

### **1. Definition of the insured event for Chapter Six**

An accidental, sudden and unforeseen event occurring in the framework of the insured's occupation, which causes:

- 1.1 Death, bodily harm, illness, injury or physical, mental or psychological impairment to a third party;
- 1.2 Damage to third party property, including loss or damage constituting a direct result damage as aforementioned;

Which is not excluded by the general exclusions to the policy and/or by the exclusions detailed hereunder in regard to this chapter.

### **2. Additional definitions for Chapter Six**

Without derogating from whatsoever appearing in the First Part (general definitions for all the policy chapters), the following definitions shall also apply to this chapter. Insofar as a contradiction exists between the Policy General Definitions and the following definitions, the definitions hereunder shall apply:

2.1 The Law  
The Torts Ordinance [new version], 5728 - 1968, including all its amendments, as existing on the day of inception of the insurance period of this chapter;

2.2 The insured's business  
The insured's business as noted in the schedule document.

**3. Exclusions to the insurer's liability for Chapter Six**

Without derogating from whatsoever appearing in Part Three of the policy (general exclusions to all parts of the policy) above, and unless otherwise stated on the schedule document, the insurer will not indemnify the insured and will not pay any insurance benefits under this Chapter Six, due to or in connection with an insured event which is caused or arises, directly or indirectly, in connection with all of the following:

3.1 Loss or damage to property of the following type:

3.1.1 Which is in the insured's ownership and/or control and/or responsibility and/or possession;

3.1.2 Any third party property, which is in the insured's ownership and/or control and/or supervision and/or possession;

3.1.3 Damage to property caused at the time of the insured event directly as a result of the action performed by the insured or whomsoever in its service in such property.

3.2 The insured's liability

3.2.1 In regard to damage caused to whomsoever of its employees, except for property damage, which is sustained by them in the course of their work for and/or on behalf of the insured;

3.2.2 In regard to damage caused to the contractor, subcontractor and their employees, or to any other person which is on ties which the insured in the framework of an express or implied employment contract;

3.2.3 In regard to damage caused to a family member.

3.3 Due to hot works and/or work with a naked flame

However, this exclusion shall not be valid, if the insured acts in accordance with the Hot Works Procedure as detailed hereunder, which constitutes means to mitigate the insurer's risk, and this without derogating from the generalities of the aforementioned whatsoever appearing in condition 6 of Part Five (general conditions for the policy), regarding risk mitigation measures.

Hot Works/ work with a naked flame procedure (hereinafter "Hot Works") - the insured shall instruct its employees, as well as contractors / subcontractors and their employees, who perform Hot Works or work with a naked flame on behalf of the insured, to comply with the following fire prevention measures and it shall ensure their implementation:



3.3.1 Definitions regarding Hot Works/ work with a naked flame

3.3.1.1 "Hot Works" shall mean one or more of the following works: cutting, welding, melting, heating, drying using electricity, gas, sunlight and/or use of a naked flame, as well as other works which produce sparks or sources of naked flame sources, e.g., sawing (e.g. by means of a 'Congo'), grinding, chiseling (e.g. by means of a jackhammer).

3.3.1.2 "naked flame" shall mean: a flame, spark (plural "sparks"), an electric spark or any source of sufficient energy to cause ignition of gases, liquids or other flammable substances which are stored at the execution site or in proximity thereto.

3.3.2 Waste materials, empty boxes, crates and wood and paper waste, as well as any packaging, cover or any other flammable waste, shall be removed from the work site on a regular basis. Removal of combustible waste shall be carried out at the end of each work day, from all the floors where work is and/or was performed.

3.3.3 No Hot Works shall be performed in the work site area, except in accordance with whatsoever appearing hereunder:

3.3.3.1 An employee appointed by the insured as a supervisor and/or contractor and/or subcontractor, who has been assigned to perform work which includes "Hot Works", will appoint a person on its behalf (hereinafter the "appointee"), to ensure no Hot Works are performed not in accordance with whatsoever appearing in the aforementioned procedure.

3.3.3.2 Before starting the Hot Works, the appointee will tour the area designated for the Hot Works, and ensure removal of flammable materials of any type in a radius of at least 10 meters from the Hot Works site. Fixed flammable objects which cannot be moved, will be covered with a non-flammable cover.

3.3.3.3 The appointee in the field and the contractor, shall appoint a person who will serve as a fire lookout (hereinafter the "fire lookout"), who will be equipped with suitable fire extinguishing means to extinguish flammable materials of the type existing in the vicinity of the hot works execution site.

The exclusive role of the fire lookout will be to oversee the execution of the Hot Works and act immediately to extinguish any combustion which may arise from execution of the hot works.

The fire lookout will be present at the hot works execution site from the time same commence until at least 30 minutes after the hot works are completed, to ensure that no sources of ignition remain onsite.

3.3.4 In the event that the insured/ contractor/ subcontractor (as the case may be) fail to act in accordance with whatsoever appearing in the aforementioned Fire Safety Procedure, and an insured event occurs - which

could have been avoided or whose results could have been minimized had it/they acted according to whatsoever appearing in the procedure - the insurer shall be exempted from its liability, or the insurance benefits will be reduced, as the case may be respectively.

- 3.4 In respect of any of the following liabilities
- 3.4.1 Liability which must be insured according Motor Vehicle Law, including liability of whomsoever is exempt from the duty to arrange insurance under the Motor Vehicle Insurance Ordinance [new version], 5730 - 1970;
  - 3.4.2 Any liability which may apply to the insured as a result of bodily injury caused by a motor and/or motorized vehicle, and without derogating from the generalities of the aforementioned, including motorized vehicles of any type used for travel;
  - 3.4.3 Any liability which may apply to the insured in respect of damage to property, caused as a result of a motor and/or motorized vehicle, and without derogating from the generalities of the aforementioned, including motorized vehicles of any type used for travel, unless a special extension is purchased for this purpose in the framework of this policy;
  - 3.4.4 Liability due to use or operation of mechanical engineering equipment, which is not required to possess mandatory insurance according to the Motor Vehicle Insurance Ordinance [new version], 5730 - 1970.
- 3.5 Any liability that may apply to the insured in respect of an insured event, whose origin or cause emanate directly or indirectly and/or is related in any manner to asbestos or silica (silicon) or any materials containing asbestos or silica, in any form or quantity, provided that the insured event arises from, or is affected by the dangerous properties of asbestos or silica.
- 3.6 Any liability that may apply to the insured due to the possession and/or use of animals.

However, in the event that the insured is in possession of a dog, which is not one of the dogs defined as a "dangerous dog" or a dangerous breed as defined in the Law for Regulating the Supervision of Dogs, 5763 - 2002, as well as all the regulations and orders promulgated by virtue thereof, and/or the regulations for Arrangement of Supervision of Dogs (import and possession of dangerous dogs), 5765 - 2004, including (however not limited to) American Staffordshire Terrier, Bull Terrier, Dogo Argentino, Japanese Tosa, English Staff, Pit Bull Terrier, Brazilian Fila, Rottweiler, including any crossbreed including the breeds noted in this exclusion – where such dog is subject to the following measures to mitigate the insurer's liability, separately and in the accumulative:

- 3.6.1 The dog is held by the insured under a valid license from the authorized authorities;
- 3.6.2 The dog is vaccinated with a valid vaccine, as required by the authorized authorities;

3.6.3 The dog is chained and muzzled during working hours;

Then, whatsoever appearing in this this Animals Exclusion shall not apply in regard to that dog.

3.7 In regard to and/or in connection with any direct damage to underground pipes, installations or cables, which are at a depth exceeding half a meter underground, where the insured did not ascertain their exact location with the appropriate authorities before performing its work, and failed to perform its work while taking their location into account.

Notwithstanding the aforementioned, in the event that the insured fails to ascertain the exact location of the pipes, cables and underground facilities – where it is unnecessary to do so - the insurance cover shall apply in accordance with the policy conditions and exclusions.

The insurer's liability according to whatsoever appearing in this paragraph shall not exceed NIS 100,000 per occurrence and in total for the insurance period (it should be clarified that the insurer's limit of liability as aforementioned is included in the general limit of liability under this chapter, and not in addition thereto).

In order to obviate doubt, in the event that the insured fails to ascertain the exact location of the underground pipes and cables – where it should have done so – no insurance cover shall apply.

It is hereby clarified that there will be no insurance cover for consequential damage of any type, which results from physical damage caused to underground pipes, installations or cables.

3.8 In respect of and/or in connection with any claim by the National Insurance Institute in regard to an injured person, for whom the insured is required to pay National Insurance Institute contributions and fails to do so, or failed to report to the National Insurance Institute that such person is its employee, as required by law.

3.9 The insured's liability due to an insured event resulting from

3.9.1 Professional negligence, consulting or planning by the insured or whomsoever on its behalf;

3.9.2 Services rendered, products manufactured, packaged, sold, supplied, repaired, serviced, marketed, dismantled and/or assembled and/or imported or exported for commercial purposes by the insured or in connection with it or any person in its service, except for products manufactured by the insured, as long as same are in the business;

The word "supplied" in this paragraph shall not apply to food and beverage products provided in the framework of hospitality by the insured.

3.10 Loss or damage caused

3.10.1 While carrying out modifications, renovations or extensions in the business building in connection with such works, except in the course of ongoing and regular maintenance works.

- 3.10.2 Loss or damage caused to the foundations of buildings bordering or nearby any work which is performed by the insured or any person in its service.
- 3.10.3 Damage to land, property or a building as a result of shock or vibration, weakening of a stave of a building, property or land, or claims resulting from such damage.
- 3.11 Loss or damage caused by, or while using aircraft or vessels, including their loading and offloading.
- 3.12 Loss or damage caused by a product:
  - 3.12.1 Which includes G.M.O. (Genetically Modified Organisms);
  - 3.12.2 Which is produced and/or taken from the human body.
- 3.13 Loss or damage caused due to and/or in connection with radiation and/or electromagnetic fields.
- 3.14 Loss or damage caused due to and/or in connection with an elevator, crane, lifting device, including their loading, offloading or use, unless the following conditions – In the accumulative - are complied with:
  - 3.14.1 The Item(s) was only operated by a certified operator (as required by law);
  - 3.14.2 The item(s) was operated after performing a periodic test as required by the manufacturer and/or by law, and the insured possesses a test report confirming the operation of the item.
- 3.15 Any liability
  - 3.15.1 Assumed by the insured in the framework of an agreement or admission of any type and kind; unless such liability, undertaking or responsibility would have been imposed on the insured - to the same extent and measure - in absence of such agreement or admission.
  - 3.15.2 In regard to loss or damage which the insured may claim from any entity and avoids doing so, including due to an agreement or waiver.
 

The insured shall refund to the insurer any sum paid to it, which the insurer could have collected in absence of such an agreement or waiver, or which was paid to the insured due to a liability or undertaking which is assumed by it under such agreement or admission - insofar as the insurer recognized the cover as aforementioned.
- 3.16 Fines, levies, multiple damages, punitive damages, exemplary damages.
- 3.17 Claims arising from financial damage, unless such damage is caused directly and subsequent to actual property damage.
- 3.18 Liability as a director and/or officer, including as a manager or senior official, unless such would have applied to the defendant/ insured had he not been an officer.
- 3.19 Loss of documents, loss of ability or right to use them or their delay.

- 3.20 Advertisement, defamation, slander, reviling or libel in any form.
- 3.21 Any act or omission committed with malicious intent, dishonesty, crime, deception, fraud, informed ultra vires, breach of trust, intentional act by the insured or whomsoever of the insured's partners, their managers, employees, or predecessors in the business.
- 3.21.1 Liability related to extreme sports  
Sports considered particularly dangerous, and which include/require of participants, inter alia, high levels of difficulty and/or physical effort, speed, altitude and danger. For the details of the sports included in this definition, see the insurer's website - "Definition of extreme sports".
- 3.21.2 An indecent act by the insured, improper sexual behavior and any act which constitutes a sexual offense under the Penal Law, 5737 - 1977, or an act constituting a violation of the Sexual Harassment Prevention Law, 5758 - 1998.

4. **Extensions to Chapter Six**

The following extensions shall apply subject to whatsoever appearing in in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Six, in accordance with everything detailed hereunder.

For the sake of good order, it is hereby clarified that the insurer's liability under each extension as detailed hereunder shall be subject to the limits of liability specified in regard to that extension (if at all), which are included in the general limits of liability for this chapter (and are not in addition to the limits of liability as stated), and subject to the definition of the limit of liability in the policy preamble.

- 4.1 In the event that the name of the insured includes more than one person or one legal entity, the cover according to this chapter shall apply to each of the insureds individually (except contractors and subcontractors), as if it had been issued only in his/its name, separately and independently of the existence of the other insureds.
- 4.2 The insurance is extended to also cover the insured's vicarious liability as a result of the actions or omissions of any person or body acting on behalf of or for the insured. In order to obviate doubt, this extension shall not provide any cover to such person or entity which is acting on behalf of the insured.
- 4.3 The insurance is extended to cover the insured's legal liability in connection with an insured event which arises from work performed on its behalf by subcontractors and their employees, who will be employed by the insured. In order to obviate doubt, this extension shall not provide any cover to contractors and/or subcontractors on behalf of the insured, who are employed for execution of the works as mentioned in this extension.
- 4.4 The insurance is extended to cover the insured's legal liability in connection with an insured event arising from execution or in connection with construction, erection, assembly, changes, renovations, extension of buildings, installations, containers within the boundaries of its business and the premises whose address is specified in the schedule.

In such case, whatsoever appearing in exclusion 3.10.1 above (damage caused in the course of changes and renovations) shall not apply to ongoing and routine maintenance work, nor will it apply to execution of work, changes, repairs or additions to the business, all only if the duration of the work does not exceed one week, and any such work being performed only according to any law and in accordance with any licensing required for its execution.

in order to obviate doubt, this extension shall not provide any cover to contractors and/or subcontractors on behalf of the insured, who are employed for execution of the works, as stated in this extension.

- 4.5 Contrary to whatsoever appearing in paragraph 17 of part 3 (general exclusions to all parts of the policy), for the purposes of this chapter, the words "weapons" and "ammunition of any type" shall not apply to the insured's liability in respect of an insured event, which may arise from the possession of weapons and ammunition by the insured and/or an employee of the insured, or whomsoever on behalf of the insured, provided that the weapons and/or ammunition are held under license by such person, and also on condition that same are not required as part of the insured's occupation and/or the employee's employment with the insured.

5. **Additional cover in regard to third party liability (valid only if explicitly stated in the schedule)**

If explicitly stated in the schedule, the following covers shall apply subject to whatsoever appearing in in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Six, in accordance with everything detailed hereunder.

For the sake of good order, it is hereby clarified that the insurer's liability under each cover as detailed hereunder is subject to the limits of liability specified in regard to such cover, if at all, which are included in the general limits of liability for this chapter (and are not in addition to the limits of liability as aforementioned), and subject to the definition of the limit of liability in the policy preamble.

5.1 Cover in regard to damage to third-party property by vehicles

If explicitly stated in the schedule that cover in regard to damage to third-party property by vehicles is valid, then the insurance under this chapter shall be extended to indemnify the insured in regard to its liability for damage caused to third-party property as a result of use of motor vehicles owned by the insured, and this in excess of the limits of liability of NIS 500,000, or beyond the limits of liability under another third party liability property damage policy in regard to use of vehicles owned by the insured – the higher of them.

Accordingly, whatsoever appearing in exclusion 3.4.3 above (liability in regard to property damage as a result of use of vehicles) shall not apply respectively, up to a limit of liability of NIS 200,000 (unless otherwise noted on the schedule documents), in regard to damage to third party property by vehicles.

In order to obviate doubt, it is hereby declared that the limits of liability under the vehicle insurance policy as aforementioned, shall constitute the insured's deductible sum in regard to damage which is covered under to this extension, and the conditions, provisions and exclusions of such policy shall constitute the basis for indemnification under this extension.

In the event that the insured does not possess a valid third-party property vehicle policy at the time of the event, the provisions, conditions and exclusions of the Harel Third-Party Property Vehicle Insurance Policies shall be deemed the basis for indemnification according for this extension. This policy can be viewed on the website of Harel Insurance Company Ltd.

## 5.2 Cover for defense expenses in criminal proceedings

If explicitly stated in the schedule that the cover for defense expenses in a criminal proceedings is valid, then the insurer shall make an advocate available to the insured and/or one of its employees, in order to provide a legal defence in the investigation, including an investigation of a death event, in criminal proceedings filed against whomsoever of them in connection with an insured event which is covered under this chapter, which shall occur in the course of the insurance period under this policy - all this at the insurer's expense.

This cover shall be subject to the following provisions:

5.2.1 Insofar as the insurer receives a reasoned opinion from the advocate who represented the insured in the court whose decision will be the subject of the appeal, in terms of which there is a pertinent basis and reasonable chances of the appeal being successful, the insurer will provide the insured with an advocate for filing an appeal and representing the insured up to the highest court possible, until a decision and/or verdict is imposed upon the insured in the criminal proceedings as aforementioned. The insurer shall also bear the costs of the appeal as aforementioned.

5.2.2 In the event that the insured is not interested in the services of the advocate provided by the insurer as aforementioned, the insured shall be entitled, after receiving the insurer's approval, to contact an advocate of its choice. In such case, the insurer shall indemnify the insured in regard to the fees, including for an appeal (according to the definition of this term in paragraph 5.2.3.1 hereunder).

5.2.3 The following definitions shall apply in regard to this cover

### 5.2.3.1 Definition of fees

Advocate's fees for handling the legal proceedings as set down in the Bar Association Rules (Minimum Recommended Rate) 5760 – 2000, or rules concerning the minimum rate for legal fees as prescribed by the law, from time to time; or lawyer's fees according to the insurer's customary minimum rates for representing insureds in criminal proceedings - the highest of them.

### 5.2.3.2 Definition of defense expenses

Fees as defined above which are paid to advocates for handling a claim, for defense in the event of a claim, in a compromise arrangement, in arbitration and/or an appeal in regard to a claim, including the cost of issuing a bank guarantee in accordance with the insurer's demand as stated in paragraph 5.2.7.3 hereunder, levies, protocol copying, witness fees and/or expert fees as determined by the court, incurred by the in connection with the criminal proceedings or appeal proceedings – except for any fine, compensation or punitive payment imposed in the framework of a sentence and/or a judgment.

- 5.2.4 The insured shall deliver to the insurer any letter, demand and/or criminal claim, summons and/or legal notice, relating to an insured event insured under this Chapter Six immediately and soon after same are received by it.

Written notice shall also be given to the insurer immediately upon the insured learning that criminal proceedings and/or a legal investigation and/or an investigation into the cause of death will be initiated in connection with any event which may result in a claim under this cover.

- 5.2.5 Exclusions to the cover regarding defense expenses in these criminal proceedings  
The insurer shall not make an advocate available to the insured and/or will not bear any payment, according to this cover in the event that:

5.2.5.1 Upon the occurrence of the insured event, the insured or its employee for whom cover exists in regard to defense expenses in these criminal proceedings was under the influence of drugs.

5.2.5.2 Upon the occurrence of the insured event, the insured or its employee for whom cover exists in regard to defense expenses in these criminal proceedings acted maliciously with the intention of causing the event and the insured and/or its employee was convicted of doing so.

5.2.5.3 Was engaged in any matter which deviates and/or does not correspond with the occupation and/or the business of the insured which is named in the schedule.

5.2.5.4 In the event that the criminal proceedings are initiated in connection with an event which is covered under cover for damage to third party property by vehicles, in accordance with whatsoever appearing in paragraph 5.1 above - even if the schedule states that the cover as specified in paragraph 5.1 is valid.

- 5.2.6 In the event that the insurer provides the insured with an advocate and/or if it finances the insured's advocate as noted in this cover, and during the procedure and/or during questioning of the insured, and/or at the end of the process, it transpires that the exclusions detailed in paragraphs 5.2.5.1 - 5.2.5.3 above apply (act under the influence of drugs; act with intent to cause harm; act in a field of occupation which differs from that defined for the purpose of this policy), then the insurer will stop providing or funding the legal defence, and the insured shall refund to the insurer - upon its initial demand - any sum incurred by the insurer as fees and defense expenses.

- 5.2.7 For this matter, insofar as referring to whatsoever appearing in paragraph 5.2.6 above, the insured shall act as follows:

5.2.7.1 The insured will confirm in writing that it has read and understood the conditions detailed in this cover, and that the legal services will be granted subject to the insured's undertaking to indemnify the insurer in regard to all its expenses, in the event that the conditions detailed in paragraphs 5.2.4 above are fulfilled (the insured's duty to provide relevant material) and/or the exclusions as detailed in



paragraph 5.2.5 above, as well as all the provisions relevant to this cover as detailed above and hereunder.

5.2.7.2 The insured shall authorize its representative by means of an irrevocable power of attorney to notify the insurer of any material development in the investigation, in the file, as well upon conclusion of the proceedings. The aforementioned shall not adversely affect the attorney-client privilege.

5.2.7.3 At the insurer's request, the insured shall provide appropriate bank guarantees to guarantee the indemnification noted in paragraph 5.2.6 above, which the insurer will bear. The insured will be entitled to offer the insurer other guarantees, to its satisfaction.

5.2.8 Unless otherwise stated in the schedule, the insurer's limit of liability under to this cover shall not exceed NIS 50,000 per occurrence and in total for the insurance period (included in the general limits of liability specified for Chapter Six).

## Chapter Seven – Employers Liability Insurance

If the schedule notes that Chapter Seven – Employers Liability Insurance - is valid, the insurer shall indemnify the insured, or alternatively, will pay insurance benefits to a third party (as the case may be), including expenses in respect of the insured's liability under law, in regard to an insured event as defined hereunder, caused within the boundaries of the State and in the course of the insurance period, subject to whatsoever appearing in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Seven and in the schedule, this in accordance with everything detailed hereunder:

Maximum limits of the insurer's liability according to Chapter Seven:

The insurer's liability under this Chapter Seven shall not exceed the maximum sums stated in the schedule as -

- a. The limit of liability per employee;
- b. The limit of liability per insured event;
- c. The maximum limit of liability for Chapter Seven - which is the limit of liability for all insured events occurring in the course of the insurance period.

The insurer shall also bear reasonable legal expenses which the insured must bear in regard to an insured event which is covered under this policy (in the event that the limits of liability are exhausted, the insurer will bear reasonable legal expenses vis-à-vis the limit of the insurer's liability under this Chapter Seven), and this is even in excess of the limits of liability specified in the schedule.

In the event that the compensation sum which the insured must pay for a single injured party – in regard to an event which is covered under this chapter - is greater than the limit of liability per injured party as specified in the schedule for this chapter, the insurer's liability in regard to the reasonable legal expenses will be reduced pro-rata in accordance with the ratio between the limit of liability per injured party as specified in the schedule and the compensation sum which the insured must pay that injured party.

In the event that several employees are injured in the insured event, and the compensation sum which the insurer must pay in regard to such insured event exceeds the sum specified in the schedule as the maximum limit of liability per insured event under Chapter Seven, the insurer's liability in regard to the reasonable legal expenses will be reduced pro-rata in accordance with the ratio between the maximum limit of liability per insured event specified in the schedule for Chapter Seven and the compensation sum which the insured must pay for that insured event.

### **1. Definition of the insured event for Chapter Seven**

Physical, mental or psychological impairment or an occupational disease or death, suffered by an employee or employees who work for the insured, as a result of an accident or an occupational disease, which independently of any other factor, constitute the direct and main cause of the impairment, illness or death as aforementioned, which occur in the course of and as a result of his/ their at the insured's business and in the scope of the insured's occupation, which are not excluded by the general exclusions to the policy and/or by the exclusions listed hereunder in regard to this chapter.

Continuous risk: where the insured's liability arises from an accident or illness, which was caused by exposure of the employee to a continuous physical or tangible risk (hereinafter in this condition "the cause of the damage") in the course of and as a result of working at the business, the insurer will bear a pro-rata part of the liability, according to the ratio between the period of the employee's exposure to the cause of the damage in the course of the

insurance period under this policy, and the period of the employee's exposure to the cause of the damage in general.

## 2. **Additional definitions for Chapter Seven**

Without derogating from whatsoever appearing in the First Part (general definitions for all the policy chapters), the following definitions shall also apply to this chapter. Insofar as a contradiction exists between the Policy General Definitions and the following definitions, the definitions hereunder shall apply:

### 2.1 The law

2.1.1 The Torts Ordinance (New Version) 5728 – 1968;

2.1.2 The Defective Products Warranty Law, 5741 – 1980.

### 2.2 Accident

An unforeseen event, which is caused to the employee directly in the course of and as a result of his occupation at the insured's business.

### 2.3 The insured's business

The insured's business as indicated in the schedule document.

### 2.4 Salary

The total of all salaries, wages, commission, earnings and other benefits provided by the insured to employees according to the number of employees, plus the ancillary expenses detailed in the annual report, all only in accordance with Form 126 or its substitute.

Where various categories have been determined in the schedule for different professions/ occupations, the salary must reflect the total salary paid to employees of all categories, and for each category separately.

### 2.5 The number of employees

The number of employees employed by the insured in the business which is insured under this policy. In the event that the insurance fees are determined according to the number of employees, the insured shall ensure that the number of employees declared by it in the insurance proposal corresponds at all times (in the course of the insurance period) to the number of employees actually employed by it.

Where different categories for different professions/occupations have been determined in the schedule, the number of employees must reflect the number of employees in each category, each profession and each occupation separately.

## 3. **Special exclusions to Chapter Seven**

Without derogating from whatsoever appearing in Part Three of the policy (general exclusions to all parts of the policy) above, and unless otherwise stated in the schedule document, the insurer will not indemnify the insured and will not pay any insurance benefits under this Chapter Seven, due to or in connection with an insured event which is caused by or arises from, directly or indirectly, in connection with all the following:

### 3.1 Insured's liability

Vis-à-vis or in respect of a contractor or an employee of a contractor or subcontractor, or an employee of a subcontractor and/or manpower company workers.

3.2 Any liability -

- 3.2.1 Assumed by the insured under an agreement or admission of any type; unless such liability, undertaking or responsibility would have been imposed upon the insured - to the same extent and scope - in absence of such agreement or admission.
- 3.2.2 In respect of loss or damage which the insured may claim from any party and refrains from doing so, including due to an agreement or waiver.

The insured shall refund to the insurer any sum paid to it, which the insurer could have collected in the absence of such an agreement or waiver; or which is paid to the insured due to a liability or undertaking assumed by it under such agreement or admission, insofar as the insurer recognized such cover.

3.3 Any sum -

- 3.3.1 Which will be claimed from the insured by the National Insurance Institute.
- 3.3.2 Which was paid by the National Insurance Institute, in regard to a cause stemming from a claim under this policy, or which the National Insurance Institute should pay, however fails to do so due to non-compliance with a provision or provisions of the National Insurance Institute Law [combined version], 5755 - 1995 (hereinafter the "National Insurance Institute Law") or in its regulations, or due to a claim not being submitted to it at all.
- 3.3.3 Imposed upon the insured due to an insured event under this policy, as compensation to an employee for whom the insured is not obliged to make National Insurance Institute payments in regard to his employment.

In such a case, the insurer shall compensate the insured in regard to such claims only in the sum which exceeds the sum which may have been paid in accordance with the National Insurance Institute Law, as if such employee had been insured under the aforementioned law.

- 3.3.4 And/or benefits and/or part thereof, which the employee may receive from the National Insurance Institute, however does not receive same because the insured did not report the employee's full salary to the National Insurance Institute; or the insured failing to comply with a provision which applies to it under the National Insurance Institute Law and its regulations.

3.4 Any liability which may apply to the insured in respect of an insured event, whose origin or cause emanate directly or indirectly and/or is related in any manner to asbestos or silica (silicon) or any materials containing asbestos or silica, in any form or quantity, provided that the insured event arises from, or is affected by the dangerous properties of asbestos or silica.

3.5 Any liability arising from possession and/or use of drugs, poisons which are prohibited under any law and/or by order of a legal authority.

3.6 Any liability in respect of an employee who is employed contrary to the provision or provisions of the laws or regulations regarding the employment of youths, or not in accordance therewith.

- 3.7 Any liability which may apply to the insured due to and/or in respect of use of a motor vehicle or any other motorized device, or involvement in a road accident, as defined in the Road Accident Victims Compensation Law, 5735 – 1975 including all its amendments.
- 3.8 Fines, levies, multiple damages, punitive damages, exemplary damages.
- 3.9 An insured event caused directly or indirectly by the "Human Immunodeficiency Virus (HIV) ("AIDS"), insofar as the insured did not initiate reasonable measures to prevent infection with this virus, and/or Hepatitis C and/or the Ebola virus.
- 3.10 An insured event caused by
  - 3.10.1 By a product which involves genetic engineering - GENETICALLY MODIFIED ORGANISMS (G.M.O) (a living body which undergoes genetic modification);
  - 3.10.2 Due to use of a product which is produced and/or taken from the human body.
- 3.11 Damage caused due to and/or in connection with radiation and/or electromagnetic fields.
- 3.12 Liability related to extreme sports  
Sports considered particularly dangerous, and which include/require of participants, inter alia, high levels of difficulty and/or physical effort, speed, altitude and danger. For the details of the sports included in this definition, see the insurer's website - "Definition of extreme sports".
- 3.13 An indecent act by the insured, improper sexual behavior and any act which constitutes a sexual offense under the Penal Law, 5737 - 1977, or an act constituting a violation of the Sexual Harassment Prevention Law, 5758 - 1998

#### 4. **Extensions to Chapter Seven**

The following extensions shall apply subject to whatsoever appearing in in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Seven, in accordance with everything detailed hereunder.

For the sake of good order, it is hereby clarified that the insurer's liability under each extension as detailed hereunder shall be subject to the limits of liability specified in regard to that extension (if at all), which are included in the general limits of liability for this chapter (and are not in addition to the limits of liability as stated), and subject to the definition of the limit of liability in the policy preamble.

##### 4.1 Work hours

The insurance under this chapter is extended to cover the insured's legal liability in respect of an insured event involving an employee, whenever the employee is in the service of the insured, including during work breaks, transfer from one workplace to another, on the way to and from the workplace, as well as during the employee's other activities which are performed for or in connection with the work for the business, as long as the employee acts in the framework of his duties, rights and needs as an employee of the insured, including sports and social activities organized by the insured.

4.2. Work for others  
The insurance under this chapter is extended to cover the insured's legal liability vis-à-vis its employees in respect of an insured event, also while they are temporarily employed by others (on behalf of the insured and as part of their work at the insured business).

4.3 Temporary/ casual workers  
The insurance under this chapter is extended to cover the legal insured's liability in respect of an insured event, vis-à-vis casual, self-employed, temporary, volunteer and foreign workers, whose salary and/or number is included in the declarations which the insured must provide the insurer for insurance purposes under this Chapter Seven, however, not when the insured is entitled to indemnification vis-à-vis those noted in this extension, for that insured event, under any other insurance arranged out by it or on its behalf.

In the event that the insured is entitled to indemnification in regard to an insured event which is noted in this extension also under other insurance, the limit of liability of the other insurance will constitute the deductible for the purpose of this extension, and the insured will be entitled to indemnification according to this extension only in the excess sums - over and above the other insurance.

In order to obviate doubt, recovery claims filed by the National Insurance Institute in regard to casual, self-employed, temporary, volunteer and foreign workers shall not be covered under this cover extension.

4.4 Control holders  
The insurance under this chapter is extended to cover the insured's legal liability vis-à-vis control holders who work as salaried managers and/or full-time employees, who appear on the insured's payroll lists, and for whose employment the insured pays National Insurance Institute fees.

4.5 Additional insureds  
The insurance under this chapter is extended to cover any person or legal entity vis-à-vis whom the insured undertook in writing, prior to the occurrence of an insured event, to include as an additional insured under the Employers' Liability Insurance arranged by it, to the same extent that such person or legal entity will be deemed the employer of the insured's employees, or where it is determines that it bears vicarious liability for the purpose of the Insured's liability vis-à-vis its employees.

4.6 Contrary to whatsoever appearing in paragraph 17 of Part Three (general exclusions to all parts of the policy), for the purposes of this chapter, the words "weapons" and "ammunition of any type" shall not apply to the insured's liability in respect of an insured event, which may arise from the possession of weapons and ammunition by the insured and/or an employee of the insured, or whomsoever on behalf of the insured, provided that the weapons and/or ammunition are held under license by such person, and also on condition that same are not required as part of the insured's occupation and/or the employee's employment with the insured.

5. **Additional covers in regard to Chapter Seven**  
If explicitly stated in the schedule, the following covers shall apply subject to whatsoever appearing in in the preamble, definitions, exclusions and general conditions of the policy, and subject to the exclusions and conditions detailed in this Chapter Seven, in accordance with everything detailed hereunder.

For the sake of good order, it is hereby clarified that the insurer's liability under each cover as detailed hereunder is subject to the limits of liability specified in regard to such cover, if at all, which are included in the general limits of liability for this chapter (and are not in addition to the limits of liability as aforementioned), and subject to the definition of the limit of liability in the policy preamble.

5.1 Cover for contractors and/or subcontractors and/or employees of manpower companies and/or other employees whose wages are not paid by the insured:

If it is expressly determined in the schedule that this cover is valid, the insurance shall cover the insured's legal liability in regard to an insured event vis-à-vis contractors and their employees, subcontractors and their employees, manpower company workers or other employees whose wages are not paid by the insured - whose salary and/or number is included in the declarations which the insured is obliged to submit under to this chapter - provided that the insured is considered their employer.

5.1.1 Unless otherwise stated on the schedule document, the following exceptions shall also apply to this cover:

5.1.1.1 This cover shall not apply if the insured is entitled to indemnification from those noted under this cover in regard to such insured event, under any other insurance arranged by it or on its behalf.

In the event that the insured is entitled to indemnification in regard to an insured event under other insurance, the limit of liability of the other insurance shall constitute the deductible for the purpose of this cover, and the insured shall be entitled to indemnification under this is only in the sums in excess of the other insurance.

5.1.1.2 This cover shall not include National Insurance Institute recovery claims in regard to contractors and/or subcontractors and/or manpower company employees.

5.1.1.3 In the event that the National Insurance Institute is not obliged to compensate these employees, in any event, a sum equal to the compensation which would have been paid by the National Insurance Institute (or its capitalized sum) will be deducted from any compensation which the insurer will be obliged to pay to such employees in accordance with the policy conditions – had the injured party been entitled to such compensation;

In addition, any sum paid by the plaintiff in regard to any financial expense, including the injured party's remedy expenses which the National Insurance Institute should bear – had the plaintiff been legally insured by the National Insurance Institute - will be deducted from the compensation sum.

5.1.2 The number of employees noted in this extension, or the sum of salaries paid to them by any legal entity (as the case may be), will be included in the declarations which the insured must provide to the insurer for the purpose of insurance according to this Chapter Seven.

5.2 Cover under the law applicable in the Administered Territories

If it is expressly determined in the schedule that cover under the law applicable in the Administered Territories is valid, and if an insured event occurs in which an employee – a resident of the Administered Territories - is injured in an area which is not considered within the territorial boundaries as stated in the definitions paragraph and/or in "A territories", while he is employed by the insured in these areas, and his matter is heard by a court in the State of Israel , and such court adjudicates/ determines that Israeli law applies to the circumstances of the event, the insurance under this chapter shall cover the insured's liability vis-à-vis such an employee under the law applicable (at the time of the insured event) in the territories administered by the IDF;

However, if in the aforementioned insured event, damage is sustained by several workers who are residents of the Administered Territories or workers residing in "A territories", the provisions detailed hereunder shall also apply:

- 5.2.1 A deductible shall apply to the insured in regard to each injured party/ person separately.
- 5.2.2 In addition, the insured shall be subject to a deductible in a sum equal to 3 times the deductible specified in the schedule for the purpose of this chapter.
- 5.2.3 Upon the occurrence of an insured event which imposes liability on the insured - both according to the law and according to the law applicable in the territories administered by the IDF - the insured shall bear a deductible for such insured event as detailed in paragraph 5.2.2 above (three times the deductible sum) in regard to injured parties who are eligible to compensation under the law applicable in the Administered Territories, as well as the general deductible relating to injured parties which are subject to the Law as defined in paragraph 2.1 of the definitions of this Chapter Seven above.

- 5.3 Cover for defense expenses in criminal proceedings  
If explicitly stated in the schedule that the cover for defense expenses in a criminal proceedings is valid, then the insurer shall make an advocate available to the insured and/or whomsoever of its employees, in order to provide a legal defence in the investigation, including an investigation of a death event, in criminal proceedings filed against whomsoever of them in connection with an insured event which is covered under this chapter, which shall occur in the course of the insurance period under this policy - all this at the insurer's expense.

This cover shall be subject to the following provisions:

- 5.3.1 Insofar as the insurer receives a reasoned opinion from the advocate who represented the insured in the court whose decision will be the subject of the appeal, in terms of which there is a pertinent basis and reasonable chances of the appeal being successful, the insurer will provide the insured with an advocate for filing an appeal and representing the insured up to the highest court possible, until a decision and/or verdict is imposed upon the insured in the criminal proceedings as aforementioned. The insurer shall also bear the costs of the appeal as aforementioned.
- 5.3.2 In the event that the insured is not interested in the services of the advocate provided by the insurer as aforementioned, the insured shall be entitled,



after receiving the insurer's approval, to contact an advocate of its choice. In such case, the insurer shall indemnify the insured in regard to the fees, including for an appeal (according to the definition of this term in paragraph 5.3.3.1 hereunder).

5.3.3 The following definitions shall apply in regard to this cover

5.3.3.1 Definition of fees

Advocate's fees for handling the legal proceedings as set down in the Bar Association Rules (Minimum Recommended Rate) 5760 – 2000, or rules concerning the minimum rate for legal fees as prescribed by the law, from time to time; or lawyer's fees according to the insurer's customary minimum rates for representing insureds in criminal proceedings - the highest of them.

5.3.3.2 Definition of defense expenses

Fees as defined above which are paid to advocates for handling a claim, for defense in the event of a claim, in a compromise arrangement, in arbitration and/or an appeal in regard to a claim, including the cost of issuing a bank guarantee in accordance with the insurer's demand as stated in paragraph 5.3.7.3 hereunder, levies, protocol copying, witness fees and/or expert fees as determined by the court, incurred by the in connection with the criminal proceedings or appeal proceedings – except for any fine, compensation or punitive payment imposed in the framework of a sentence and/or a judgment.

5.3.4 The insured shall deliver to the insurer any letter, demand and/or criminal claim, summons and/or legal notice, relating to an insured event insured under this Chapter Seven immediately and soon after same are received by it.

Written notice shall also be given to the insurer immediately upon the insured learning that criminal proceedings and/or a legal investigation and/or an investigation into the cause of death will be initiated in connection with any event which may result in a claim under this cover.

5.3.5 Exclusions to the cover regarding defense expenses in these criminal proceedings

The insurer shall not make an advocate available to the insured and/or will not bear any payment, according to this cover in the event that:

5.3.5.1 Upon the occurrence of the insured event, the insured or its employee for whom cover exists in regard to defense expenses in these criminal proceedings was under the influence of drugs.

5.3.5.2 Upon the occurrence of the insured event, the insured or its employee for whom cover exists in regard to defense expenses in these criminal proceedings acted maliciously with the intention of causing the event and the insured and/or its employee was convicted of doing so.

5.3.5.3 Was engaged in any matter which deviates and/or does not correspond with the occupation and/or the insured's business which is named in the schedule.

5.3.6 In the event that the insurer provides the insured with an advocate and/or if it finances the insured's advocate as noted in this cover, and during the procedure and/or during questioning of the insured, and/or at the end of the process, it transpires that the exclusions detailed in paragraphs 5.3.5.1 - 5.3.5.3 above apply (act under the influence of drugs; act with intent to cause harm; act in a field of occupation which differs from that defined for the purpose of this policy), then the insurer will stop providing or funding the legal defence, and the insured shall refund to the insurer - upon its initial demand - any sum incurred by the insurer as fees and defense expenses.

5.3.7 For this matter, insofar as referring to whatsoever appearing in paragraph 5.3.6 above, the insured shall act as follows:

5.3.7.1 The insured will confirm in writing that it has read and understood the conditions detailed in this cover, and that the legal services will be granted subject to the insured's undertaking to indemnify the insurer in regard to all its expenses, in the event that the conditions detailed in paragraphs 5.3.4 above are fulfilled (the insured's duty to provide relevant material) and/or the exclusions as detailed in paragraph 5.3.5 above, as well as all the provisions relevant to this cover as detailed above and hereunder.

5.3.7.2 The insured shall authorize its representative by means of an irrevocable power of attorney to notify the insurer of any material development in the investigation, in the file, as well upon conclusion of the proceedings. The aforementioned shall not adversely affect the attorney-client privilege.

5.3.7.3 At the insurer's request, the insured shall provide appropriate bank guarantees to guarantee the indemnification noted in paragraph 5.3.6 above, which the insurer will bear. The insured will be entitled to offer the insurer other guarantees, to its satisfaction.

5.3.8 Unless otherwise stated in the schedule, the insurer's limit of liability under to this cover shall not exceed NIS 50,000 per occurrence and in total for the insurance period (included in the general limits of liability specified for Chapter Seven).

## **6. Special condition for Chapter Seven**

6.1 The insurance fees noted in the schedule are provisional and were calculated on the basis of the total annual salary paid by the insured to its employees, or on the basis of the number of the insured's employees (as these terms are defined, agreed and detailed in the schedule), in accordance with its declaration upon inception of the insurance period.

6.2 The insurance fees are subject to adjustment at the end of the insurance period, which will be carried out as follows: within 30 days after the end of the insurance period, the insured will provide the insurer with a declaration regarding the total wages paid to its employees in the course of the insurance period – which shall be

supported by a copy of form 126, as well as a CPA certificate detailing the occupation types performed by the insured's employees.

If the total salary paid by the insured to its employees, or the number of workers employed by it in the course of the insurance period differs from the insured's declaration use for payment of the insurance fees, the final account of the insurance fees will be adjusted by payment of the differences in the insurance fees to the insurer, or a refund of the difference in the insurance fees to the insured, as the case may be.

- 6.3 The refunded insurance fees paid to the insured shall not exceed 50% of the insurance fees which the insured was actually charged.

## **PART FIVE: GENERAL CONDITIONS**

Insofar as not otherwise noted in regard to the general conditions, the following conditions shall apply to such chapters:

**1. Application of the law**

This policy shall be subject to the provisions of the legislative arrangement, including the provisions of the Insurance Contract Law, 5741-1981 (hereinafter the "Insurance Contract Law") unless otherwise stipulated between the parties.

**2. Duty of disclosure and change in a material matter**

2.1 In the event that the insured fails to provide complete and truthful answers in a matter in respect of which a question was presented to the insured in the proposal form or in any other written manner, or if they fail to disclose to the insurer a matter which may affect the willingness of a reasonable insurer to enter into the contract at all or to enter into the contract under its conditions (hereinafter "a material matter"), the insurer may cancel the policy or reduce the scope of its liability in accordance with the provisions of the Insurance Contract Law.

2.2 Concealment with fraudulent intent on the part of the insured of a matter which he was aware was a material matter, shall be tantamount to provision of a reply which is incomplete and untruthful.

2.3 A sweeping question asked by the insurer, which binds together different matters without distinction shall not require a response as aforementioned unless it was reasonable upon signing the contract.

2.4 Furthermore, in the course of the insurance period the insured shall disclose to the insurer in writing, any change in a material matter, immediately upon learning thereof.

2.5 In this matter it should be clarified that a change occurring after the policy has been submitted to the insured in a matter that was noted as a material matter, and in the event that something reveals that a response provided to a question regarding a material matter was incorrect and may significantly increase the insurer's risk, same shall also be deemed to be part of a "material matter".

2.6 Within 30 days from the date on which the insurer became aware of a response that is incomplete and untruthful, or within 30 days from the date on which the insurer received notice of a material change - or when such information becomes known to the insurer in another manner - the earlier of the two (relating to the material change), the insurer may as long as an insured event has not occurred, cancel the policy immediately by sending the insured written notice.

In the event that the insurer cancels the contract by virtue of this condition, prior to the occurrence of an insured event, the insured shall be entitled to a refund of the insurance fees paid by it for the period following the cancellation, unless the insured acted with fraudulent intent.

2.7 If an insured event occurs prior to the contract being cancelled by virtue of this paragraph 2, the insurer shall only be obliged to pay proportionately reduced insurance benefits, according to the ratio between the insurance fees which would

have been customarily paid by it according to the actual condition and the agreed insurance fees. It shall be completely exempt upon each of the following:

- 2.7.1 The response or lack of notice as noted in condition 2.4 (as the case may be) were given with fraudulent intent.
  - 2.7.2 A reasonable insurer would not have entered into the policy, even for increased insurance fees, had it been aware of the actual condition following the change. In such instance, the insured will be entitled to a refund of the insurance fees paid by it for the period after the change.
- 2.8 The insurer shall not be entitled to the remedies specified in condition 2.6 and 2.7 above in this condition upon each of the following, unless the response – which was incomplete and untruthful - was given with fraudulent intent:
- 2.8.1 The insured was aware or should have been aware of the true situation when entering into the contract or that it caused the response to be incomplete or untruthful.
  - 2.8.2 The fact in respect of which the response was incomplete or untruthful ceased to exist prior to the occurrence of the insured event, or did not influence the occurrence, the insurer's liability or its extent.
- 2.9 This condition 2 shall not deny the insurer any remedy bestowed upon it by law.

### **3. Address for Notices**

- 3.1 Notices to the insured and beneficiary  
Notices by the insurer to the insured or the beneficiary insofar as relating to the policy, shall be sent to their last address known to the insurer.
- 3.2 Notices to the insurer  
Notices by the insured or the beneficiary to the insurer shall be delivered to the insurer's head office address, or any other address in Israel of which the insurer gives written notice to the insured and beneficiary from time to time.

### **4. Israeli law and jurisdiction**

Any claim under this policy shall be subject only to Israeli law and the courts in Israel shall have exclusive jurisdiction in any insured event and/or dispute deriving from this policy. The company shall not compensate and/or indemnify the insured and/or shall not pay any insurance benefits for a ruling given by another judicial authority located outside the boundaries of the State of Israel.

### **5. Payment of insurance fees and other fees**

- 5.1 The insurance fees and other fees due from the insured to the insurer in connection with the policy shall be made within 28 days after inception of the insurance or on other dates agreed upon in writing between the insured and insurer.
- 5.2 In the event that the insurance fees or any other payments due from the insured to the insurer are not remitted within 28 days, same may be paid on other dates expressly agreed upon as follows:

- 5.2.1 Regarding a policy denominated in shekels – the sums in arrears shall bear linkage differentials for the arrears period from the inception of the insurance. The linkage differentials shall be calculated according to the difference between the index known upon inception of the insurance period and the index known on the date on which each payment is actually remitted.
- 5.2.2 In respect of a policy denominated in (US) dollars, each payment shall be made in new shekels according to the representative rate on the date of payment.
- 5.3 In order to obviate any doubt, it is hereby clarified that if insurance fees are determined as a deposit or which are subject to adjustment, this policy, its renewal or cancellation shall not constitute a waiver of the adjustment for any insurance period preceding the insurance period in this policy.
- 5.4 In the event that insurance fees are not paid on the agreed dates, the sum in arrears shall also bear interest as specified in the Interest and Linkage Adjudication Law 5721–1961 (hereinafter the “arrears interest”) from the date on which the arrears began and until full defrayal of the sum in arrears. It should be clarified that if the interest is determined by law, the interest determined by the law shall apply.
- 5.5 In the event that the sum in arrears is not paid on the specified date (as specified above) and not within 15 days after the insurer demands same of the insured in writing, the insurer may act as noted in sub-conditions 5.6 – 5.7 (inclusive) hereunder.
- 5.6 In the event that any arrears sum is not paid within 15 days after the insurer demands same in writing of the insured as aforementioned, the insurer may notify the insured in writing that the insurance will be cancelled after 21 additional days unless the sum in arrears is settled prior thereto. In the event that a beneficiary other than the insured is irrevocably designated, the insurer may cancel the insurance if it informs the beneficiary in writing of the said arrears and the beneficiary fails to settle the sum in arrears within 15 days of the date of receiving said notice.

Cancellation of the insurance according to this condition shall not derogate from the insured’s duty to settle the sum in arrears relating to the period up to the said cancellation.

- 5.7 If an insured event brings about the exhaustion of the limits of liability under this policy due to indemnification of the insured (as the case may be), then the insurer may deduct from the insurance benefits due to the insured (if any), the balance of the insurance fees due to it, even if their payment date has not yet fallen due.

6. **Measures for preventing and/or mitigating the insurer's risk**

In so far as the policy states - explicitly or in any other manner - that the insured is obliged to initiate measures to prevent and/or mitigate the insurer's risk (hereinafter the "measures") and such measures are not initiated, and as a result an insured event takes place or is aggravated, this may cause a significant reduction in the insurance benefits, to the point of total rejection of the cover, all in accordance with the conditions of paragraphs 18, 19, and 21 of the Insurance Contract Law.

Dear Insured! In order to prevent lack of insurance cover or a significant reduction of insurance benefits upon the occurrence of an insured event – please ensure that the measures are fully implemented.

**7. Duty of care**

The insured must initiate all reasonable precautions and comply with all legislated duties intended to prevent any damage or harm which are covered under this policy and to protect the insured property which may be damaged by a risk which is covered under the policy.

In the event that the insured becomes aware, or is informed of a real risk to property - which has caused or may cause damage thereto - the insured shall immediately stop the activity which is related to this risk.

**8. Notice of an insured event and clarification of the insurer's liability**

8.1 Upon the occurrence of an insured event, the insured or the beneficiary must notify the insurer of the insured event within a reasonable time after learning thereof.

8.2 The insured or beneficiary as the case may be, shall provide the insurer - within a reasonable time after being requested to do so - the information and documents required to clarify the liability and its extent, and if same are not in its possession it shall assist the insurer to obtain same to the best of its ability.

8.3 In the event of failure to uphold any of the duties under any of the conditions noted under paragraphs 8.1 (notice regarding an insured event), or paragraph 8.2 (cooperation regarding clarification of the insurer's liability) as well as condition 10 (notice of proceedings) and condition 11 (transfer of documents) hereunder, whose fulfillment would have allowed the insurer to minimize its liability, the insurer shall not be obliged to pay insurance benefits, except to the extent it would have been obliged to do so had the duty been upheld. This provision shall not apply upon each of the following:

8.3.1 The duty was not upheld or was upheld belatedly for justified reasons.

8.3.2 The failure to uphold the duty or delay in doing so did not prevent the insurer from clarifying its liability and did not encumber said inquiry.

8.4 In the event that the insured or beneficiary deliberately committed an act which may prevent or hinder the insurer from clarifying its liability, the insurer shall not be obliged to pay insurance benefits, except to the extent it would have been obliged to do so had such act not been committed.

8.5 In the event of a breach of a duty under conditions 8.1 (notice of an insured event), 8.2 (cooperation regarding clarification of the insurer's liability), or where an act is committed as noted in condition 8.4 (preventing or hindering clarification of the insurer's liability) above, as well as condition 10 (notice of proceedings) and condition 11 (provision of documents), or where the insured or beneficiary provided the insurer with false facts, or concealed facts relating to the insured event, or in regard to the insurer's liability - and same is committed with fraudulent intent - the insurer shall be exempt of its liability.

8.6 If an insured event is caused deliberately by the insured, the insurer shall be exempt of its liability.

- 8.7 The insurer shall not be obliged to pay insurance benefits for damage which the insured could have prevented or minimized upon the occurrence of the insured event or thereafter, by taking reasonable measures or measures which the insurer instructed it to initiate.
- 8.8 In the event that upon the occurrence of an insured event or thereafter the insured or beneficiary incurred reasonable expenses to prevent or minimize the damage, or for this purpose assumed reasonable undertakings, the insurer shall be obliged to indemnify it whether the damage is prevented or minimized or not. In the event that said expenses or undertakings were unreasonable, the insurer shall be obliged to provide indemnification according to their reasonable rate in the circumstances of the matter, all even in excess of the sum insured.
- 8.9 The insured or the beneficiary, as the case may be, shall keep the damaged items and present them for inspection by the insurer's representative or the surveyors appointed on its behalf. In any event, the insurer's representatives shall be given the opportunity to inspect the loss or damage, before any repair is performed.
- Notwithstanding the aforementioned, the insured may carry out minor and urgent repairs even without prior inspection by a surveyor, however, on condition that it immediately notifies the surveyor handling the damage on behalf of the insurer or the insurer, and it shall keep the replaced parts.
- 8.10 In the event that the insured is a corporation, then, for the purpose of this paragraph and for any other matter for the purpose of this policy, the insured shall be deemed to have knowledge from the moment one of its authorized managers or the person responsible of insurance with the insured becomes aware of the matter.

9. **Prohibition of admission**

No admission, proposal, promise, undertaking or compensation of any type shall be made or given by the insured or on its behalf, without the prior written consent of the insurer, in connection with any insured event which is covered under this policy. The provisions of this condition shall not apply to reporting of facts regarding the insured event to the police or any lawfully authorized entity, upon their request, as well as to giving testimony in Court.

10. **Notice regarding proceedings**

The insured shall notify the insurer as soon as possible of a police or other investigation, an investigation of the causes of death or any indictment which are open or about to be opened – if same are known to it in connection with any insured event which is covered under this policy.

11. **Provision of documents by the insured to the insurer**

The insured will submit to the insurer, immediately upon receipt thereof, any information, letter, summons, notice of a hearing, order and any process in connection with/due to any insured event which is covered by this policy.

12. **Investigation and inspection in regard to an insured event**

For purposes of an investigation or inspection, the insurer may - by means of its clerks and representatives – enter at any reasonable time, all locations belonging to the insured and/or locations which are in its possession and/or responsibility where the insured event took place, or which may be related to the insured event. The insurer may remain on site and request to hold same and their contents, insofar as the matter justifies same, all at reasonable times, and for any objective relating to this event. The insured shall permit and grant the insurer all easements required for this purpose.



### 13. **Currency conversion**

- 13.1 If the sums insured or limits of liability are denominated in new shekels the calculation will be as follows:
- 13.1.1 In respect of limits of liability/ sums insured based on the changes in the index, between the known index published soon before inception of the insurance period and the known index published soon before the occurrence of the insured event.
  - 13.1.2 If the policy determines that it is subject to adjustment conditions, for adjustment of insurance fees - based on the changes in the index, between the known index published soon before the date of inception of the insurance period and the date soon prior to the end of the insurance period specified in the schedule.
  - 13.1.3 In respect of insurance benefits – according to the changes in the index, between the known index published soon before the date of the insured event and the index known soon before their actual payment to the injured party or the insured (as the case may be).
  - 13.1.4 In respect of the extent of the deductible - according to the changes in the index, between the known index published soon before inception of the insurance period and the known index published soon before the date of deduction of the deductible from the insurance benefits, or their actual date of payment or defrayal (as the case may be).
- 13.2 If the sums insured or limits of liability and deductible are denominated in US dollars, same – including the insurance benefits due to the insured or the beneficiary (as the case may be) – shall be calculated in US dollars according to the representative rate of the dollar with the Bank of Israel, applying on the date of calculation or actual payment (as the case may be).
- 13.3 If the policy notes a sum insured, limit of liability or deductible sum in a currency other than that specified in the schedule, said sum shall be calculated in accordance with the representative exchange rate published by the Bank of Israel for such currency into the currency noted in the schedule on the date of the occurrence of the insured event.

### 14. **Prescription**

The prescription period for a claim for insurance benefits shall be three years from the date of the occurrence of the insured event.

In liability insurance, a claim for insurance benefits shall not prescribe as long as the third party's claim against the insured has not prescribed.

### 15. **Subrogation**

- 15.1 If due to the insured event the insured also had a right to compensation or indemnification vis-à-vis a third party, not by virtue of an insurance contract, such right shall devolve upon the insurer once it pays any insurance benefits and/or compensation and/or indemnification (as the case may be) and according to the rate of benefits or indemnification paid.

- 15.2 The insurer shall not be entitled to make use of a right which has devolved upon it according to this condition in a manner which would infringe on the insured's right to collect compensation or indemnification from the third party in excess of the benefits received from the insurer.
- 15.3 In the event that the insured receives from a third party compensation or indemnification which is due to the insurer according to this condition, it shall transfer same to the insurer. In the event that the insured compromises, waives or performs any other act which infringes on a right which has devolved upon the insurer - even if performed prior to inception of the insurance period - it shall compensate the insurer accordingly.
- 15.4 The provisions of this condition shall not apply if the insured event is unintentionally caused by a person from whom a reasonable insured would not claim compensation or indemnification due to family relations or employer-employee relations between them.

16. **Right of set-off**

The insurer may set-off from the insurance benefits due to the insured upon the occurrence of an insured event any sum owed by the insured to the insurer, whether said debt relates to this policy or to another. In the event of a total loss of the insured property covered by this policy, the insurer may set-off the balance of the insurance benefits due to it according to this policy, even if the date of payment has not yet fallen due.

17. **Extension of the insurance period**

Any extension of the insurance period under the policy requires the consent of the parties, which will be given expressly for this purpose.

It is hereby clarified that at the end of the aforementioned insurance period, the insurance will not be automatically extended, and the insurance cannot be extended in any way due to the insured being silent or by any other act by the insurer (other than its consent as stated in this condition), even if the insured proposed to the insurer that the insurance be extended, in any form and at any time.

18. **Principal insured in the policy**

If several insureds are specified in the name of the insured in the policy and a principal insured is designated in the schedule, during the insurance period the principal insured shall conduct all negotiations with the insurer on behalf of all the insureds and request any amendment or addition, including matters relating to claims. The principal insured's signature on the proposal form and applications for amendments in the policy during the insurance period and/or on any document issued by the insurer (including a cancellation notice) will be sufficient to be binding upon all the other insureds. Insurance benefits shall only be remitted to the principal insured – or according to its written instructions which shall be given to the insurer; in addition, any notice sent by the insurer shall only be sent to the principal insured and same shall be deemed to have been sent to each of the insured individuals.

It is hereby clarified that nothing appearing in this condition shall exempt any insured who is included in the name of the insured of its obligations under this policy. In addition, nothing in this condition shall deny the insurer any right under this policy vis-à-vis each of the insureds, jointly and/or severally.

## 19. **Cancellation of the insurance**

- 19.1 In addition to whatsoever appearing in condition 2.6 above regarding immediate cancellation and in condition 5 above regarding cancellation of the policy due to failure to remit insurance fees, and without derogating from the insurer's rights - by law or under any other provision in the policy - the insurer may cancel the insurance at any time prior to the end of the insurance period, at its discretion, provided it gives the insured written notice at least 30 days prior to the date on which the insurance will be cancelled. In such instance the insured shall be entitled to a refund of the insurance fees paid to the insurer, pro-rata to the period after cancellation of the insurance.
- 19.2 Cancellation of the insurance as aforementioned, shall not derogate from the rights of claim according to this policy in respect of an insured event occurring/ caused prior to cancellation of the insurance.
- 19.3 The insured will be entitled to cancel the insurance at any time whatsoever prior to the end of the insurance period at its discretion. The cancellation shall apply from the date specified in the insured's notice, however, not before the date on which the insurer receives the notice. In this case, the insurer shall retain/ the insured will pay (as the case may be) insurance fees based on the following formula: 10% of the annual insurance fees (irrespective of the period during which the policy was valid) plus 0.3% of the annual insurance fees for each day of insurance during the period when the policy is valid.
- 19.4 Notwithstanding the aforementioned, in the event that the insured demands that the insurer sign insurance certificates containing an undertaking to only cancel the insurance after prior notice is given to the recipient of the undertaking, the policy will only be cancelled after fulfillment of the undertaking to provide advance notice and the end of the period noted in said certificates.

## 20. **Deductible**

- 20.1 In any insured event which is covered by this policy and/or in any event where the insured and/or any third party is entitled to insurance benefits under this policy, the insured shall bear a deductible as an initial sum of the insurance benefits owed by the insurer.
- 20.2 In the event that damage is caused to several items for which a different deductible applies - in respect of each item and in the alternative in respect of each risk, field or matter – for which a claim is submitted under a part/ sub-part/ segment of the policy (as the case may be), a single deductible shall apply - the higher of them respectively.
- 20.3 In the event that damage is caused for which claims are filed under several chapters/ parts of this policy - the insured shall bear a deductible for each chapter and each part separately.
- 20.4 In order to obviate doubt, it is hereby clarified that in the insurance/ cover of the insured's liability, the deductible sum shall apply to expenses incurred by the insurer in the course of, and as a result of handling the claim/ demand for compensation/ notice in regard to an event which may give rise to a claim, even if no actual compensation is paid.

- 20.5 In order to obviate doubt, it is clarified that whatsoever appearing in this paragraph shall not derogate from whatsoever appearing in the various policy chapters.
- 20.6 It should be emphasized that the insured's deductible, in regard to an insured event which covers the insured's liability, constitutes a first layer of the policy which applies to the insured, and is included in the policy limits of liability in the policy - and is not in addition thereto.

**21. The insurer's rights to salvage**

- 21.1 Upon the occurrence of any loss or damage to the property insured under this policy, the insurer may:
- 21.1.1 Enter the building or premises where the insured event took place or may be related to the insured event.
  - 21.1.2 Receive into its possession the insured's property, in respect of which the insured is claiming insurance benefits.
  - 21.1.3 Take into its possession any such property, to inspect, sort, arrange, transfer or handle same in any other manner for any reasonable objective and in any reasonable manner.
  - 21.1.4 Sell salvage to a third party following loss or damage as aforementioned, only after the insured has been granted a preferential right to purchase same at the third party's price.
- 21.2 In the event that the insured or any other person acting on its behalf, fails to comply with the insurer's demands or obstructs or prevents the insurer from exercising its rights to clarify its liability which are granted herein, the insured's liability will be reduced and it shall not be obliged to pay insurance benefits, except to the extent it would have been obliged to do so had the duty been upheld. This provision shall not apply upon each of the following:
- 21.2.1 The duty was not upheld or was upheld belatedly for justified reasons.
  - 21.2.2 The failure to uphold the duty or delay in doing so did not prevent the insurer from clarifying its liability and did not encumber said inquiry.
  - 21.2.3 The insured will not be entitled in any manner to abandon any property in favor of the insurer, whether the insured has already taken same into its possession or not.
  - 21.2.4 Exploitation of the insurer's rights according to this condition shall not adversely affect the insured's business management or its reputation.

**22. Advance payments and benefits which are not in dispute**

- 22.1 Upon the occurrence of an insured event involving the property which is insured under this policy, the insured shall be entitled to receive from the insurer advance payments or monetary undertakings, which shall enable it to obtain service to repair the damage, subject to underinsurance conditions. This, on account of the monies due to the insured from the insurer under the conditions of this policy.

These advance payments will be deducted from the final insurance benefits paid to the insured. The benefits shall be calculated on the basis of their value linked to the Index from the date of the advance payment and until the day the final insurance benefits are paid, and if the policy is a dollar based policy, the calculation will be made on this basis;

- 22.2 Insurance benefits which are not in dispute, shall be paid within 30 days after a written claim for payment of insurance benefits is delivered to the insurer - which may be claimed separately from the other benefits.
- 22.3 In the event that it becomes apparent that the advance payment exceeds the final benefit due to the insured, the insured shall repay the difference, including linkage and interest as soon as possible.

**23. Beneficiary other than the insured**

- 23.1 The insured under this policy may not designate a beneficiary other than itself, unless the insurer grants its advance written consent to do so.
- 23.2 Where a beneficiary other than the insured is designated in the policy and the insurer and the insured agree on the compensation due to the insured, such determination shall also be binding upon the beneficiary.

**24. Reinstatement**

- 24.1 The insurer may, at its discretion, reinstate or replace the damaged or destroyed property, or any part thereof, instead of paying the sum of the loss or damage, or will be entitled to participate with any other insurer or insurers in doing so.
- 24.2 In the event that the insurer chooses to reinstate or replace any property, the insured shall provide the insurer with the plans, specifications, measurements, quantities and all other details as the insurer may require, and none of the actions taken or caused to be taken by the insurer with the intention of reinstatement or replacement, shall be interpreted as the insurer's choice to reinstate or replace the damage.

**25. Claims handling**

- 25.1 Where the insurer has acknowledged its liability in terms of the policy, it shall be entitled, and according to the demand of the third party - shall be obliged to pay the insurance benefits which the insurer is obliged to pay to the insured to the third party, provided that the insured is given written notice of same 30 days in advance, and the insured fails to object during this period. However, any allegation which the insurer may make vis-a-vis the insured shall stand vis-a-vis the third party.
- 25.2 Where the insurer has acknowledged its liability in terms of this chapter, it shall be entitled to take over and conduct the defense against any claim in the insured's name, or the settlement of any claim. The parties shall cooperate with the insurer in mounting the defense and the insured shall be obliged to furnish all information in its possession to the insurer and extend to the insurer any reasonable assistance required by it in connection with the matters referred to in this paragraph. The insurer undertakes to act in coordination with the insured, in the endeavor to maintain the insured's legitimate interests, including its good name.

25.3 In the event that the sum of the claim exceeds the insurer's limit of liability, the insurer and the insured shall act in mutual coordination and without derogating from the generality of the aforementioned, the insured shall be given the right to actively participate in the conduct of the defense.

**26. Reduction of the sums insured/ limits of liability following a claim/ damage**

26.1 Unless otherwise stated in the schedule, or if otherwise noted in each and every chapter, following a loss or damage, the sums insured and/or the insurer's limits of liability (as the case may be) shall be reduced according to the sum of the insurance benefits or indemnification (before deduction of the deductible) due to the insured in respect of the loss or damage.

26.2 In the event that the insurer gives a written undertaking to pay compensation to a third party, or in the event that the insurer pays compensation to a third party, or in the event that the insurer indemnifies the insured in respect of an insured event, the insurer's limits of liability shall be reduced by the sum which the insurer undertook vis-à-vis the third party, as and from the date of its undertaking, or (as the case may be), the sum in which the insurer compensated the third party or the sum in which the insurer indemnified the insured, as and from the date that same was paid - the earlier of them.

**27. Changes in the insurer's limits of liability**

27.1 In the event that the insured requests the insurer to increase the limits of liability in respect of any matter/ initiative/ project/ insured and the insurer agrees and confirms the increase of the limits of liability requested, and notes the specific matter/ initiative/ project/ insured in the schedule the increase in the sums of the limits of liability shall only apply in respect of that specific matter/ initiative/ project/ insured and shall not apply to the insured's other activities (which shall be subject to lower limits of liability).

27.2 In order to avoid any doubt, it is hereby clarified that in the event of a claim/ damage in respect of which insurance benefits are paid by the insurer, or the insurer undertakes in writing to pay, the insurer's limits of liability (both the general limits of liability and the limits of liability in respect of a specific matter/ initiative/ project/ insured) shall be reduced by the sum of the insurance benefits paid or undertaken in writing by the insurer, regardless if paid in respect of the specific matter/ initiative/ project/ insured in the schedule, or in respect of any other matter whatsoever.

**28. Payment of the limit of liability sum / by way of compromise**

28.1 Before conducting proceedings or in the course of negotiations for a compromise in connection with any claim or series of claims or any matter whatsoever which may be claimed according to this policy – or in the course thereof – the insurer be entitled to pay the sum of the appropriate limit or limits of liability to the insured following the deduction, of any sum or sums already paid as insurance benefits.

In such instance the insurer shall forego the management and supervision of such claim or claims and the aforementioned shall constitute the full payment of the entire appropriate limits of liability in the policy, except for reasonable payments and court expenses which shall be paid in excess of the limits of liability.

28.2 In the event that the insurer proposes to the insured to conclude a claim, or series of claims, or any matter whatsoever which may be claimed according to this policy by way of compromise, and the insured objects to the compromise, the insurer's limit of liability shall be limited to the inclusive sum which the insurer would have paid had the insured not refused to settle the claim, the series of claims or the matter, and this, even if the proceedings continue. The insurer shall not be obliged to bear more than the sum it could have paid in the framework of the compromise. In the event that the insured continues with the proceedings which result in:

28.2.1 Striking out/ rejection of the claim and/or full and final cancellation of any possibility of same being filed, the insurer shall indemnify the insured for the reasonable expenses incurred by the insured for the purpose of the proceedings, aforementioned, however, in no instance no more than the sum which the insurer would have paid in the framework of the compromise.

28.2.2 In the event that the compensation sum is reduced, and as a result thereof the insured bears reasonable defense expenses, the insurer shall indemnify the insured in accordance with the compensation sum, after any sum of sums which have already been paid as insurance benefits under the policy are deducted.

In addition, the insurer shall provide indemnification in regard to reasonable defense expenses, however, in no instance no more than the inclusive sum which the insurer would have paid in the framework of the compromise.

28.3 It is clarified that in respect of the sum or sums which have already been paid as insurance benefits, the sum shall be calculated subject to whatsoever appearing in condition 26 hereunder (reduction of the limit of liability following a claim/ damage).

29. **Notice to the police**

The insured must notify the Israel Police in any event of loss or damage which in its opinion stems from a malicious act, burglary, robbery or theft and it shall endeavor to the best of its ability to discover those involved in such acts.