

# APPENDICES RELATED TO MIGDAL INSURANCE COMPANY LTD.



## Migdal Insurance Company Ltd.

### Certification

I, Ofer Eliahu, certify that:

1. I have reviewed Migdal Insurance Company Ltd.'s (hereinafter: "**the Insurance Company**") Annual Report for 2013 (hereinafter: "**the Report**").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact nor omits any material fact necessary so that the statements, given the circumstances under which such statements were made, are not misleading with respect to the covered period.
3. Based on my knowledge, the Financial Statements and other financial information included in the report, fairly reflect in all material respects, the financial position, results of operations, changes in equity and cash flows of the Insurance Company for the dates and periods covered by the Report.
4. I and others in the Insurance Company who make such statement are responsible for establishing and maintaining controls and procedures regarding the disclosure<sup>1</sup> and internal control over the Insurance Company's financial reporting<sup>1</sup>, and have:
  - (a) Set forth these controls and procedures, or lead to their establishment under our supervision, designed to ensure that material information relevant to the Insurance Company, including its consolidated subsidiaries, is brought to our attention by others in the Insurance Company and in those entities, particularly during the preparation of the report.
  - (b) Set forth an internal control over the financial reporting, or supervised the setting of an internal control over the financial reporting, aimed at providing a reasonable amount of certainty as to the reliability of the financial reporting and to the fact that the Financial Statements are prepared pursuant to IFRS and the provisions of the Commissioner of Insurance.
  - (c) Evaluated the effectiveness of the controls and procedures as regards the Insurance Company's disclosure, and presented our conclusions regarding the effectiveness of the disclosure controls and procedures, as of the end of the period covered in the Report based on our evaluation; and
  - (d) Disclosed in the Report any change in the Insurance Company's internal control over financial reporting which occurred in 4Q13, which affected materially, or are reasonably likely to materially affect, the Insurance Company's internal control over financial reporting; and
5. I and others in the Insurance Company who make such statement disclosed to the Insurance Company's auditing CPA, BoD and Financial Statements Committee, based on our most recent evaluation regarding the internal control over financial reporting:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the ability of an Insurance Company to record, process, summarize and report financial information; and
  - (b) Any fraud, whether material or not material, that involves management or other employees with a significant position in the Insurance Company's internal control over financial reporting.

The above does not derogate from my liability or the liability of any other person, as per any law.

March 18<sup>th</sup>, 2014

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Ofer Eliahu, CEO  
**Migdal Insurance Company Ltd.**

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<sup>1</sup> As defined in the provisions of the Institutional Entities Circular regarding Internal Control over Financial Reporting - Statements, Reports and Disclosures.

### Certification

I, Eran Czerninski, certify that:

1. I have reviewed Migdal Insurance Company Ltd.'s (hereinafter: "**the Insurance Company**") Annual Report for 2013 (hereinafter: "**the Report**").
2. Based on my knowledge, the Report does not contain any untrue statement of a material fact nor omits any material fact necessary so that the statements, given the circumstances under which such statements were made, are not misleading with respect to the covered period.
3. Based on my knowledge, the Financial Statements and other financial information included in the report, fairly reflect in all material respects, the financial position, results of operations, changes in equity and cash flows of the Insurance Company for the dates and periods covered by the Report.
4. I and others in the Insurance Company who make such statement are responsible for establishing and maintaining controls and procedures regarding the disclosure<sup>1</sup> and internal control over the Insurance Company's financial reporting<sup>1</sup>, and have:
  - (a) Set forth these controls and procedures, or lead to their establishment under our supervision, designed to ensure that material information relevant to the Insurance Company, including its consolidated subsidiaries, is brought to our attention by others in the Insurance Company and in those entities, particularly during the preparation of the report.
  - (b) Set forth an internal control over the financial reporting, or supervised the setting of an internal control over the financial reporting, aimed at providing a reasonable amount of certainty as to the reliability of the financial reporting and to the fact that the Financial Statements are prepared pursuant to IFRS and the provisions of the Commissioner of Insurance.
  - (c) Evaluated the effectiveness of the controls and procedures as regards the Insurance Company's disclosure, and presented our conclusions regarding the effectiveness of the disclosure controls and procedures, as of the end of the period covered in the Report based on our evaluation; and
  - (d) Disclosed in the Report any change in the Insurance Company's internal control over financial reporting which occurred in 4Q13, which affected materially, or are reasonably likely to materially affect, the Insurance Company's internal control over financial reporting; and
5. I and others in the Insurance Company who make such statement disclosed to the Insurance Company's auditing CPA, BoD and Financial Statements Committee, based on our most recent evaluation regarding the internal control over financial reporting:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the ability of an Insurance Company to record, process, summarize and report financial information; and
  - (b) Any fraud, whether material or not material, that involves management or other employees with a significant position in the Insurance Company's internal control over financial reporting.

The above does not derogate from my liability or the liability of any other person, as per any law.

March 18<sup>th</sup>, 2014

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Eran Czerninski, Head of the Finances and Actuarial Division

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<sup>1</sup> As defined in the provisions of the Institutional Entities Circular regarding Internal Control over Financial Reporting - Statements, Reports and Disclosures.

## **Migdal Insurance Company Ltd.**

### **BoD and Management Report regarding the internal control over the financial reporting**

Management, under supervision of the BoD of Migdal Insurance Company Ltd. (hereinafter: "the insurance company") is responsible for maintaining effective internal control over financial reporting. The insurance company's internal control system was planned in order to provide a reasonable amount of certainty to the insurance company's BoD and management as to the accurate preparation and presentation of the Financial Statements published pursuant to the IFRS and the provisions of the Commissioner of Insurance. Regardless of their planning level, all internal control systems have built-in limitations. Therefore, even if it was determined that these systems are effective, they can only provide a reasonable level of certainty with respect to the preparation and presentation of a financial report.

Management, under the BoD supervision, conducts a comprehensive system of controls aimed at making sure that transactions are performed pursuant to management authorizations, assets are protected, and the accounting records are reliable. In addition, management, under the BoD supervision, takes measures in order to make sure that the information and communication channels are effective and monitor execution, including the execution of internal control procedures.

The insurance company's management, under the BoD supervision, evaluated the effectiveness of the insurance company's internal control over financial reporting as of December 31<sup>st</sup>, 2013, based on the criteria set forth in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control model. Based on this evaluation, management believes that as of December 31<sup>st</sup>, 2013, the insurance company's internal control over financial reporting is effective.

|  |                        |                   |
|--|------------------------|-------------------|
| CoB  | <b>Anath Levin</b>     | (Signature) _____ |
| CEO  | <b>Ofer Eliahu</b>     | (Signature) _____ |
| Head of the Finances and<br>Actuarial Division | <b>Eran Czerninski</b> | (Signature) _____ |

Report approval date: March 18<sup>th</sup>, 2014

**Migdal Insurance Company Ltd.**March 18<sup>th</sup>, 2014**Declaration of the Life Assurance Actuary****Part A – Actuary's identity**

I was requested by Migdal Insurance Company Ltd. (henceforth, "the insurer") to assess the reserves specified in part B below in life assurance lines of business (henceforth, "the reserves") for the insurer's Financial Statements dated December 31<sup>st</sup>, 2013, as specified below.

I am an employee of the insurer and serve as its chief actuary since December 1<sup>st</sup>, 2006.

I am not an interested party, nor a relative of an interested party of the insurer.

**Part B – Scope of actuarial opinion****1. Scope of actuarial opinion**

- a. For the purpose of calculating the insurer's reserves, I relied on data provided to me by the insurer. My requests for receiving data and information for the sake of assessing reserves for the Financial Statements were answered in a satisfactory manner. I examined the reasonability and adequacy of the data, and compared the data to data of the year to which the statement refers, and to data of previous years.
- b. When necessary, I also relied for my assessment upon data received from other reliable sources. I checked the appropriateness of this data and its relevance.
- c. The actuarial assumptions I used in my work, including the methods for assessing the reserves cited below, were determined by me, to the best of my professional judgment, and in compliance with the provisions, instructions and rules provided in section 1 of part C below.
- d. In order to calculate the retention, I requested information regarding the insurer's reinsurance arrangements, the insurer's ability to collect claims, and any problems with the payment policies of the reinsurers from the responsible reinsurance officers. Based on the information I received, I examined the impact and effect of the reinsurance arrangements on the reserves.
- e. In my assessment, I also took into consideration the following:  
The provision calculated for coinsurance administered by domestic Israeli insurance companies, is the proportional part of the provision calculated by the life assurance actuary of the leading company, including with respect to the life assurance portfolio of Hassneh Israeli Insurance Company, which was jointly acquired by the insurer and Clal Insurance Company, in respect of policies administered by Clal Insurance Company.

**2. Data attached to the paragraph "Scope of actuarial opinion"**

- a. In the appendix attached herewith, there are details of the amounts of provisions, in NIS thousands, both in gross and retained amounts, as follows:
  - 1) Reserve for outstanding claims (claims incurred but not fully paid, whether approved or not, except claims paid as annuities, such as LTC, occupational disability and family income benefits), including reserve for unpaid losses (incurred but unpaid claims) and the reserve for incurred but not yet reported losses (IBNR).
  - 2) Reserve stemming from insurance contract conditions relating to life assurance alone, including:
    - a) Reserve for accrual plans;
    - b) Reserve required when part of the premium collected in the contract's early years is designated for granting future cover, such as provision in respect of fixed premium, insurability and continuation options;

- 3) The part of reserve in respect of claims in payment, including claims paid as annuities, such as LTC, occupational disability and family income benefits.
  - 4) Supplemental provision stemming from reserve adequacy test. After performance of the test, it was determined that there is no need for a supplementary reserve.
  - 5) Other – additional provisions in accordance with the Commissioner’s instructions, such as: supplemental reserves for annuity policies as per the Commissioner’s circular 2013-1-2.
- b. The effect of the changes detailed herewith on the provisions, in NIS thousands, both in gross and retained amounts -
- 1) For policies which became effective after the end of period of the last annual Financial Statement – adjustment to the provisions stemming from the differences between the assumptions of the premium basis and the assumptions of the reserve basis – there was no need for such adjustment.
  - 2) For policies that became effective before the end of period of the last annual Financial Statement – the amount of adjustment to the provisions, stemming from changes in assumptions, methods or level of premium to be collected, and from other changes: in 2013 the calculation of the supplementary reserve was updated in respect of an increase in annuity take-up rates.

**Part C – Opinion**

I hereby declare and confirm that with respect to the Life Assurance Area:

1. I assessed the insurer’s reserves detailed in Part B in accordance with the provisions, instructions and rules detailed below, all as valid on the date of the Financial Statements:
  - a. The provisions of the Financial Services Supervision Law (Insurance) – 1981, and regulations thereof;
  - b. The provisions and instructions given by the Commissioner of Insurance;
  - c. Generally accepted actuarial principles.
2. Having examined the data mentioned in part B, I have reached the conclusion that the data are reasonable and satisfactory, and that I can rely on them in my assessment.
3. The assumptions and methods for the assessment of reserves were determined by me, according to my best professional judgment, and in compliance with the provisions, instructions and rules specified above.
4. To the best of my knowledge and assessment, the reserves set forth in Part B constitute an appropriate reserve for covering the insurer’s liabilities in respect of its obligations stemming from life assurance contracts, as valid on the date of the Financial Statements.

**Part D - Comments and clarifications**

1. Details about the types of reserves are included in Note 18 to the Financial Statements.
2. No material changes occurred in the actuarial assumptions and methods compared with last year’s actuarial assessment, including with respect to the discount rate, except for the change in the assumptions for the calculation of the Supplementary Annuity Reserve, as detailed in paragraph 2b2 above.

|                                    |   |                       |           |
|------------------------------------|---|-----------------------|-----------|
| <b>March 18<sup>th</sup>, 2014</b> | <b>Appointed actuary - life assurance</b> | <b>Leybush Ulmann</b> | _____     |
| Date                               | Position                                  | Actuary's name        | Signature |

Enclosed herewith:

- Form 12a: Outstanding claims and reserves - gross
- Form 12b: Outstanding claims and reserves - retention

As at: 31.12.2013

Form 12a: Outstanding claims, reserves and reserve for extraordinary risks - gross  
 Company name: Migdal Insurance Company Ltd.  
 (In NIS thousands)

|     | Total      | Savings and death risk<br>(classic, traditional) |               | Pure savings or savings<br>component in policies (Adif,<br>Track) |               | Pure death risk or death<br>risk comp. in policies |            | PHI        |            | LTC        |            | Other<br>covers 1)<br>6 |
|-----|------------|--|---------------|---|---------------|--|------------|------------|------------|------------|------------|-------------------------|
|     |            | Guaranteed<br>yield                              | Participating | Guaranteed<br>yield   | Participating | Individual   | Collective | Individual | Collective | Individual | Collective |                         |
|     |            |  |               |   |               |  |            |            |            |            |            |                         |
| 1   | 1,496,497  | 465,912  | 16,446        | 325,982   | 205,004       | 100,206  | 31,732     | 228,604    | 24,498     | 1,833      | 96,280     |                         |
| 2   | 94,789,089 | 5,572,741  | 1,405,089     | 18,916,454  | 65,751,315    | 25,917   | 11,048     | 1,762,902  | 1,323,790  | 19,539     | 294        |                         |
| 2a1 |            |  |               |   |               |  |            |            |            |            |            |                         |
| 2a2 | 19,960,572 | 4,233,448  | 10,257        | 15,270,438  | 276,605       | 2,588  | 0          | 166,991    | 0          | 0          | 245        |                         |
| 2a3 | 47,498,334 | 0  | 1,297,217     | 5,500   | 45,947,821    | 2,400  | 0          | 245,351    | 0          | 0          | 45         |                         |
| 2a4 | 18,533,836 | 0  | 2,787         | 325,544   | 18,166,129    | 615  | 0          | 38,761     | 0          | 0          | 0          |                         |
| 2b  | 85,992,742 | 4,233,448  | 1,310,261     | 15,601,482  | 64,390,555    | 5,603  | 0          | 451,103    | 0          | 0          | 290        |                         |
| 3   | 1,326,750  | 0  | 0             | 0   | 0             | 20,314   | 11,048     | 52,203     | 1,239,905  | 3,276      | 4          |                         |
| 4   | 5,523,754  | 1,171,449  | 90,591        | 1,763,167   | 1,138,803     | 0  | 0          | 1,259,596  | 83,885     | 16,263     | 0          |                         |
| 5   | 0          | 0  | 0             | 0   | 0             | 0  | 0          | 0          | 0          | 0          | 0          |                         |
| 6   | 1,945,843  | 167,844  | 4,237         | 1,551,805   | 221,957       | 0  | 0          | 0          | 0          | 0          | 0          |                         |
| 7   | 0          | 0  | 0             | 0   | 0             | 0  | 0          | 0          | 0          | 0          | 0          |                         |
| 8a  | 0          | 0  | 0             | 0   | 0             | 0  | 0          | 0          | 0          | 0          | 0          |                         |
| 8b  | 63,195     | 2,439  | 879           | 39,287  | 20,589        | 0  | 0          | 0          | 0          | 0          | 0          |                         |
| 8b2 | 0          | 0  | 0             | 0   | 0             | 0  | 0          | 0          | 0          | 0          | 0          |                         |
| 8b3 | 0          | 0  | 0             | 0   | 0             | 0  | 0          | 0          | 0          | 0          | 0          |                         |
| 8b4 | 0          | 0  | 0             | 0   | 0             | 0  | 0          | 0          | 0          | 0          | 0          |                         |

Form 12b: Outstanding claims, reserves and reserve for extraordinary risks - in retention  
 Company name: Migdal Insurance Company Ltd.  
 (In NIS thousands) As at: 31.12.2013

|   | Total      | Savings and death risk (classic, traditional) |                  | Pure savings or savings component in policies (Adif, Track) |                  | Pure death risk or death risk comp. in policies |               | PHI          |               | LTC           |        | Other covers 1) |
|---|------------|---|------------------|---|------------------|---|---------------|--------------|---------------|---------------|--------|-----------------|
|   |            | Guaranteed yield 1a                           | Participating 1b | Guaranteed yield 2a   | Participating 2b | Individual 3a                                   | Collective 3b | Individual 4 | Collective 5a | Collective 5b |        |                 |
|   |            |   |                  |   |                  |   |               |              |               |               | 6      |                 |
| 1   | 1,480,454  | 465,460                                       | 16,446           | 325,982   | 205,004          | 90,723  | 31,607        | 226,502      | 20,972        | 1,833         | 95,925 |                 |
| 2   | 94,697,584 | 5,563,124                                     | 1,405,089        | 18,841,350  | 65,748,496       | 25,917  | 11,048        | 1,759,796    | 1,322,931     | 19,539        | 294    |                 |
| 2a1   | 19,882,911 | 4,223,831                                     | 10,257           | 15,206,801  | 274,075          | 2,588   | 0             | 165,114      | 0             | 0             | 245    |                 |
| 2a2   | 47,497,366 | 0   | 1,297,217        | 5,500   | 45,947,821       | 2,400   | 0             | 244,383      | 0             | 0             | 45     |                 |
| 2a3   | 18,533,794 | 0   | 2,787            | 325,544   | 18,166,129       | 615   | 0             | 38,719       | 0             | 0             | 0      |                 |
| 2a4   | 85,914,071 | 4,223,831                                     | 1,310,261        | 15,537,845  | 64,388,025       | 5,603   | 0             | 448,216      | 0             | 0             | 290    |                 |
| 2b  | 1,326,531  | 0   | 0                | 0   | 0                | 20,314  | 11,048        | 51,984       | 1,239,905     | 3,276         | 4      |                 |
| 3   | 5,517,987  | 1,171,449                                     | 90,591           | 1,758,541   | 1,138,521        | 0   | 0             | 1,259,596    | 83,026        | 16,263        | 0      |                 |
| 4   | 0          | 0   | 0                | 0   | 0                | 0   | 0             | 0            | 0             | 0             | 0      |                 |
| 5   | 0          | 0   | 0                | 0   | 0                | 0   | 0             | 0            | 0             | 0             | 0      |                 |
| 6   | 1,938,995  | 167,844                                       | 4,237            | 1,544,964   | 221,950          | 0   | 0             | 0            | 0             | 0             | 0      |                 |
| 7   | 0          | 0   | 0                | 0   | 0                | 0   | 0             | 0            | 0             | 0             | 0      |                 |
| 1) Other covers, including: disability, accident duplicity etc. |            |   |                  |   |                  |   |               |              |               |               |        |                 |
| 8a  | 0          | 0   | 0                | 0   | 0                | 0   | 0             | 0            | 0             | 0             | 0      |                 |
| 81b   | 63,195     | 2,439   | 879              | 39,287  | 20,589           | 0   | 0             | 0            | 0             | 0             | 0      |                 |
| 8b2   | 0          | 0   | 0                | 0   | 0                | 0   | 0             | 0            | 0             | 0             | 0      |                 |
| 8b3   | 0          | 0   | 0                | 0   | 0                | 0   | 0             | 0            | 0             | 0             | 0      |                 |
| 8b4   | 0          | 0   | 0                | 0   | 0                | 0   | 0             | 0            | 0             | 0             | 0      |                 |



## **Migdal Insurance Company Ltd.**

March 18<sup>th</sup>, 2014

### **Actuary statement in general insurance lines of business**

#### **Part A - Actuary identity**

I was asked by Migdal Insurance Company Ltd. to assess the reserves specified in Part B below in general insurance lines of business, for the Financial Statements of Migdal Insurance Company Ltd. (hereinafter "Migdal" or "the insurer") dated December 31<sup>st</sup>, 2013 as specified below.

I am the head of the actuary department - general insurance division at Migdal Insurance Company from May 1<sup>st</sup>, 2013.

I am not an interested party and work as a salaried employee with the insurer.

#### **Part B – Scope of actuarial opinion**

##### **1. Scope of actuarial opinion**

1. For the purpose of calculating the insurer's reserve, I relied on data provided to me by the insurer. My requests for receiving data and information for the sake of assessing reserves for the Financial Statements were answered in a satisfactory manner. I examined the reasonability and adequacy of data, and compared said data to the data of the year to which the statement refer, and to data of previous years.
2. In my assessment, I did not rely upon data received from other sources, except for the retention insurance settlements data ("pool").
3. The actuarial assumptions I used in my work, including methods for assessing reserves set forth in Section 2 below were determined by me, to the best of my professional judgment, and in compliance with the provisions, instructions and rules specified in Section 1 of Part C below.
4. For the purpose of calculating retention I asked the Reinsurance Division in Migdal Group for information regarding the insurer's reinsurance arrangements, the capability to collect claims, and problems with the payment policy of reinsures. Based on the information I received, I examined the impact and effect of reinsurance arrangements on the reserves.
5. In my opinion, I also took into consideration the following issues:
  - a. The reserve calculated in respect of residual insurance settlements (hereinafter "the Pool"), was performed based on the calculation performed by the "Pool" actuary.
  - b. The reserve calculated for other coinsurance, where the Company is not the leading insurer, was done by me while referring to information received from the leading company.
  - c. Migdal serves as a reinsurer in multi-national businesses which do not materially affect retention, therefore there was no need for calculating incoming reinsurance.
  - d. We did not take into consideration the lack of correlation between the various lines for the reduction of the overall reserve in respect of outstanding claims for all of the lines of business included in my estimate.

**2. Data enclosed to the actuarial opinion scope**

|           |  | As of December 31 <sup>st</sup> , 2013 |                            |
|-----------|--|--|----------------------------|
|           |  | NIS thousand                           |                            |
|           |  | Gross                                  | Retention                  |
| 2 a 1) a) | <u>Outstanding claims</u><br>Statistical lines of business:  |  |                            |
|           | Compulsory Motorcar Bodily Injury (CMBI)*  | 1,283,480                              | 1,243,728                  |
|           | Employers' liability*  | 262,292                                | 233,126                    |
|           | Third party*   | 567,344                                | 356,258                    |
|           | Professional liability*  | 368,111                                | 309,950                    |
|           | Product liability*   | 79,599                                 | 67,553                     |
|           | Property motorcar  | 119,482                                | 119,452                    |
|           | Homeowners   | 49,482                                 | 19,452                     |
|           | Total statistical lines of business  | 2,729,790                              | 2,349,519                  |
|           | Non-statistical lines of business  | There is no reporting duty             | There is no reporting duty |
| 2 a 1) b) | Total statistical & non-statistical lines of business  | 2,729,790                              | 2,349,519                  |
| 2 a 2)    | Indirect expenses  | 99,806                                 | 99,806                     |
| 2 a 3)    | Premium deficiency:  |  |                            |
|           | CMBI   | No declaration required                |                            |
|           | Property motorcar  | 3,899                                  | 3,899                      |
|           | Homeowners comprehensive   | No declaration required                |                            |
|           | Total insurance liabilities in respect of insurance contracts included in general insurance sector, calculated by actuarial estimate | 2,833,495                              | 2,453,224                  |

**Notes:**

1. The actuarial provisions in Note 17 a2, which I estimated at NIS 2,861,701 thousand, gross, include the above said provisions of NIS 2,833,495 thousand, as well as the reserve for outstanding claims in respect of the personal accidents line as set forth in the health declaration of NIS 28,206 thousand. In retention, the provision for personal accidents is NIS 25,365 thousand.
2. For lines excluded from the actuarial estimate, see Part D Section 7 below.
3. In liability lines assessed based on underwriting: outstanding claims and provision for premium deficiency.

**Part C – The opinion**

I hereby declare and confirm that in the following lines: CMBI, employers' liability, third party, professional liability, product liability, property motorcar and homeowners' comprehensive insurance:

1. I assessed the insurer's reserves detailed in Part B in accordance with the provisions, instructions and rules detailed below, as valid on the date of the Financial Statements:
  - a. The provisions of the Insurance Businesses Supervision Law – 1981, and regulations thereof;
  - b. The provisions and instructions given by the Commissioner of Insurance;
  - c. Generally accepted actuarial principles.
2. Having examined the data mentioned in Part B, I have reached the conclusion that the data are reasonable and satisfactory, and that I can rely on them in my assessment.
3. I determined the assumptions and methods for the assessment of reserves according to the best of my professional judgment, and in compliance with the provisions, instructions and rules specified above.
4. The reserves set forth in Part B, Section 2 a 1) b) in respect of the statistical lines of business constitute, to the best of my knowledge and assessment, an appropriate reserve for covering the insurer's liabilities in respect of the above said outstanding claims, in each separately detailed statistic line of business, as valid on the date of the Financial Statements.
5. The reserve set forth in Part B, Section 2 a 2) constitutes, to the best of my knowledge and assessment, an appropriate reserve for covering the insurer's liabilities in respect of indirect expenses for claims settlement for all lines of business practiced by the Company in general insurance, as valid on the date of the Financial Statements.
6. The reserves set forth in Part B, Section 2 a 3) constitute, to the best of my knowledge and assessment, an appropriate reserve for covering the insurer's liabilities in respect of premium deficiency at retention level (should such premium deficiency exist) in the detailed lines, as valid on the date of the Financial Statements

**Part D - Comments and clarifications**

1. The models used for the calculation of the Company's provisions in the CMBI, employers' liability, third party, professional liability and product liability lines, are new internal models that were built in a manner that is consistent with the models used in 2012 balance sheet, which were estimated by the actuary Dr. Stewart Coutts from International Actuarial Consultants. The process of model building was accompanied by the actuary Tali Mishod, who examined the work process, including assumptions, controls, methods and results, as requested by the Capital Market, Insurance and Savings Section. In addition, the actuary Dr. Stewart Coutts ran the models independently, in order to make sure that the process was performed consistently with past estimates. However, the balance sheet results relied on the data of internal models and not on the results of these estimates.
2. In CMBI, employers' liability, third party and property motorcar lines the calculations are based on actual claim payments. In homeowners, professional liability and product liability lines, the calculations are based on claims' aggregate cost (actual claim payments plus individual assessments). There may be new phenomena which are not actually reflected in these data. Should it turn out that the actual experience is different than the aggregate experience, there may be need for additional reserves in the future.

3. Further to above Sections 2 and 3, no reduction was made to the reserves due to the future discounting of cash flows, in real terms.
4. There were no material changes in the assumptions and actuarial methods compared with the previous annual actuarial estimate, including with respect to discounting, see Section 3. In the CMBI and liability lines, except third party, there was a change in the way changes in results are recognized due to the model's volatility and the estimation of the actuary that the model's forecasted result in this quarter represents a change in trend, and the model's results were, therefore, taken in full in the final results. This change did not have a material effect on overall estimates in these lines. In the property motorcar line, the estimate of provisions in respect of theft damages in 2013 relied on the claims department's estimate, plus IBNR claims, while in 2012 the estimate was based on the development of claim payments (payment triangle). The above did not have a material impact on the estimates included in the Financial Statements.
5. Actuarial estimate is based on statistical estimates that include an element of uncertainty. The statistical estimate is based on various assumptions, which will not necessarily come true. The assumptions in the actuarial forecast affect the reserve final result. Therefore, the actual claims cost may be higher or lower than the statistical estimate. Assumptions set in the past may change according to new information received in the future, due to, inter alia, Court rulings and precedents which cannot be forecasted ahead of time and changes in social and environmental factors. In such cases, outstanding claims will change according to the change in assumptions and actual results, and the differences created in the reported year will be included in the general insurance business report.
6. In the personal accidents line of business I perform an actuarial calculation of the outstanding claims. This reserve appears in the health statement.
7. In accordance with the instructions of the Commissioner of Insurance, the Company considered the possibility of calculating actuarial reserves in the following lines as well: commercial comprehensive insurance, engineering insurance, contractors insurance, marine insurance, aviation insurance and goods in transit insurance. Due to the lack of statistical significance, an actuarial model was not applied in these lines of business.

|                                    |  |                       |           |
|------------------------------------|--|-----------------------|-----------|
| <b>March 18<sup>th</sup>, 2014</b> | <b>Appointed actuary - general insurance</b> | <b>Daniel Israeli</b> | _____     |
| Date                               | Position                                     | Actuary's name        | Signature |

**Migdal Insurance Company Ltd.**March 18<sup>th</sup>, 2014**Actuary statement in health insurance lines of business****Part A - Actuary identity**

I was requested by **Migdal Insurance Company Ltd.** to assess the reserves specified in part B below in health insurance lines of business, for the Financial Statements of Migdal Insurance Company Ltd., the insurer, (henceforth, "the reserves") dated December 31<sup>st</sup>, 2013, as specified below.

I am a salaried employee of the Company. I am not an interested party or relative of an interested party of the insurer. I was appointed actuary of health insurance on July 18<sup>th</sup>, 2013.

**Part B – Scope of actuarial opinion****1. Scope of actuarial opinion**

- a. For the purpose of calculating the insurer's reserves, I relied on data provided to me by the insurer. My requests for receiving data and information were answered in a satisfactory manner for the sake of assessing reserves for the Financial Statements. I examined the reasonability and adequacy of the data, and compared the data to the data of the year to which the statement refers, and to data of previous years.
- b. In my assessment, I also relied upon data received from other reliable sources. I examined the extent of data compatibility and relevance.
- c. The actuarial assumptions that I used in my work, including the methods for the aforementioned assessment of reserves were determined by me to the best of my professional judgment, and in compliance with the provisions, instructions and rules specified in section 1 of part C below.
- d. For the purpose of calculating retention I requested information regarding the insurer's reinsurance arrangements, the collectibility of claims, and problems with the payment policy of reinsures from the responsible reinsurance officers. Based on the information I received, I examined the impact and effect of reinsurance arrangements on the reserves.
- e. Migdal has no incoming businesses and/or coinsurances regarding this report.

**2. Assessment data as to the reserve amounts****a. Amounts of reserves:**

| Description                         | Individual insurance   |                     | Collective insurance   |                     | Total          |
|-------------------------------------|--|---------------------|--|---------------------|----------------|
|                                     | Health businesses reported in the health sector (including travel insurance) | Personal accidents* | Health businesses reported in the health sector (including travel insurance) | Personal accidents* |                |
| <b>Gross</b>                        |  |                     |  |                     |                |
| Outstanding claims (including IBNR) | 66,167   | 23,219              | 11,775   | 10,153              | 111,314        |
| Indirect expenses                   | 1,837  | 696                 | 955  | 334                 | 3,822          |
| Insurance contracts terms           | 449,611  | 13,749              | 6,750  | 0                   | 470,110        |
| <b>Total gross</b>                  | <b>517,615</b>   | <b>37,664</b>       | <b>19,480</b>  | <b>10,487</b>       | <b>585,246</b> |
| <b>Retention</b>                    |  |                     |  |                     |                |
| Outstanding claims (including IBNR) | 51,822   | 21,838              | 11,775   | 8,693               | 94,128         |
| Indirect expenses                   | 1,837  | 696                 | 955  | 334                 | 3,822          |
| Insurance contracts terms           | 449,610  | 13,749              | 6,750  | 0                   | 470,109        |
| Total retention                     | <b>503,269</b>   | <b>36,283</b>       | <b>19,480</b>  | <b>9,027</b>        | <b>568,059</b> |

\* Long term personal accidents businesses' reserves were set by Health Insurance. Short term personal accidents businesses' reserves were set by General Insurance. See Part D, section 1e.

**b. Impact of changes on provisions:**

- 1) For policies which became effective after the end of period of the last annual Financial Statement - the amount of adjustment to the provisions, stemming from differences between premium basis assumptions and provision basis assumptions – **none**.
- 2) For policies which became effective before the end of period of the last annual Financial Statement - the amount of adjustment to the provisions, stemming from changes in the assumptions, methods or level of premium to be collected, and from other changes gross and retention: **the amount is non-material**.

**Part C – The opinion**

I hereby declare and confirm that in the following sub-lines of health insurance:

- Medical expenses
- Dread diseases
- Dental insurance
- Travel insurance
- Long term personal accidents
- Other:

1. I assessed the insurer's provisions detailed in Part B in accordance with the provisions, instructions and rules detailed below, all as valid on the date of the Financial Statements:
  - a. The provisions of the Insurance Business Supervision Law – 1981, and regulations thereof;
  - b. The provisions and instructions given by the Commissioner of Insurance;
  - c. Generally accepted actuarial principles.
2. Having examined the data mentioned in Part B, I have reached the conclusion that the data are reasonable and satisfactory, and that I can rely on them in my assessment.
3. I determined the assumptions and methods for the assessment of reserves according to the best of my professional judgment, and in compliance with the provisions, instructions and rules specified above.
4. The reserves set forth in Part B constitute, to the best of my knowledge and assessment, an appropriate reserve for covering the insurer's liabilities in respect of health insurance contracts that belong to the sub-lines of health insurance detailed above, as valid on the date of the Financial Statements.

**Part D - Notes and clarifications**

1. Notes, clarifications and explanations
  - a. Medical expenses – reserves stemming from the terms of contract, are as per the actuarial model.
  - b. Dread diseases – the reserves stemming from the terms of contract were set as a percentage of annual premium in effect.
  - c. Other line – "Healthy Investment" line plan covering medical expenses (surgery and other). Unlike ordinary plans, if insureds have no claims for 15 years, they are reimbursed.
  - d. The calculation of reserves for outstanding claims and IBNR for medical expenses and dread diseases was set based of a statistic forecast model for the determination of future claims payments based on past experience.
  - e. Outstanding claims in the lines of short term personal accident were set by the general insurance appointed actuary, Mr. Daniel Israeli.
2. Changes in assumptions and methods
  - a. In the reserve stemming from the terms of contract there were no material changes in the actuarial assumptions and methods compared with the previous actuarial annual assessment, including with respect to the discount rate.
  - b. In the dread diseases line, the calculation of reserves for outstanding claims and IBNR was based on a statistical model, as compared with an assessment based on premium in the previous actuarial assessment.

|                                    |   |                       |           |
|------------------------------------|---|-----------------------|-----------|
| <b>March 18<sup>th</sup>, 2014</b> | <b>Appointed actuary -<br/>health insurance</b> | <b>Daniel Katsman</b> | _____     |
| Date                               | Position  | Actuary name          | Signature |