

EXECUTION COPY

STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "Agreement") is dated as of August 16, 2012, by and between Clal Insurance Enterprises Holdings Ltd., an Israeli company ("Seller"), and National Indemnity Company, a Nebraska corporation ("Buyer"). Seller and Buyer are each referred to a "Party" and collectively the "Parties." Unless otherwise indicated herein, capitalized terms shall have the meanings set forth in Article I.

WHEREAS, Seller owns 1,000 shares of the common stock of Clal U.S. Holdings, Inc., a Delaware corporation (the "Company"), representing all of the issued and outstanding shares of common stock, par value \$ 0.001 per share (the "Shares"), of the Company; and

WHEREAS, Seller wishes to sell to Buyer, and Buyer wishes to purchase from Seller, all of the Shares.

NOW THEREFORE, in consideration of the foregoing and of the representations, warranties, covenants, agreements and conditions contained herein, the adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the Parties hereto agree as follows:

**ARTICLE I**

**DEFINITIONS**

Section 1.1 Definitions. For the purposes of this Agreement (including any schedules hereto), the following terms shall have the following meanings:

"Action" means any governmental or private action, suit, proceeding, litigation, claim, arbitration or investigation.

"Affiliate" means, with respect to any Person, any Person directly or indirectly controlling, controlled by or under common control with, Seller. For purposes of this definition, "control" when used with respect to any Person, means the possession, directly or indirectly, of the power to cause the direction of management, vote 50% or more of the voting securities of such Person and/or set the policies of such person, whether through the ownership of voting securities by contract or otherwise.

"Ancillary Agreements" means each other instrument, agreement or certificate contemplated to be executed and delivered in connection with the consummation of the transactions contemplated by this Agreement.

"Applicable Laws" means any national, federal, state, county, municipal, provincial, foreign, international, multinational, local or other administrative applicable statute, code, rule, regulation, ordinance or other pronouncement of any Governmental Entity having the effect of law, including common law applicable to the Person, place and situation in question.

"Business" means the businesses of the Company and the Company Subsidiaries.

“Business Day” means any day other than a Saturday, a Sunday, a legal holiday in the State of New York or the State of Israel or a day on which banking institutions in the State of New York or the State of Israel are authorized or obligated by Applicable Law to close.

“Code” means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, in each case as in effect from time to time. References to sections of the Code shall be construed to refer to any successor sections.

“Company Material Adverse Effect” means any effect or change that would be materially adverse to the Business, taken as a whole; *provided, however*, that none of the following shall be deemed to constitute, and none of the following shall be taken into account in determining whether there has been, a Company Material Adverse Effect: (A) any adverse change, event, development, or effect (that in the cases of (1) through (6) below do not materially and disproportionately affect the Company relative to other Persons engaged in the industries in which the Company and the Company Subsidiaries operate) arising from or relating to: (1) general business or economic conditions, including such conditions related to the Business, (2) national or international political or social conditions, including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the United States, or any of its territories, possessions, or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (3) financial, banking, or securities markets (including any disruption thereof and any decline in the price of any market index), including any change in the workers' compensation insurance industry generally, (4) earthquakes, floods, natural disasters, or other acts of nature, (5) GAAP or Statutory Accounting Principles or other applicable accounting rules or the interpretation thereof, or (6) Applicable Law, (B) the taking or not taking of any action, at the direction of Buyer, or as contemplated by this Agreement or the Ancillary Agreements, (C) the execution, public announcement, pendency or performance of the transactions contemplated hereby, including the impact thereof on relationships, contractual or otherwise, with customers, partners, financing sources and employees and on revenue profitability and cash flows, (D) any existing event, occurrence or circumstance with respect to which Buyer has knowledge as of the date hereof, (E) matters disclosed in the Disclosure Schedule, or (F) any adverse change in or effect on the Business that is cured by Seller before the Closing Date.

“Company Subsidiaries” means each of the subsidiaries set forth on Section 3.3(a) of the Disclosure Schedule.

“Contract” means any legally binding contract, agreement, lease, license, instrument, note, guarantee, commitment, promise, purchase order, or undertaking, whether written or oral.

“Disclosure Schedule” means the disclosure schedule, dated the date hereof, delivered simultaneously with the execution of this Agreement.

“GAAP” means United States generally accepted accounting principles.

“Governmental Entity” means any agency, administrative division or department (or administrative subdivision), commission, regulatory authority, taxing or administrative authority,

of the government of the United States or any state, city, municipality, county or town thereof, or of any foreign jurisdiction including any employees or agents thereof.

“HSBC” means HSBC Bank USA, National Association.

“HSBC Term Loan Facility” means that certain term loan agreement by and among the Company, Seller, and HSBC, dated as of June 3, 2011

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

“Knowledge of Seller” means actual knowledge of the following persons: any officer of Seller, Sy Foguel, Jeffrey Picker, Eitan Ajchenbaum, Carl Witkowski and Allan Kerin.

“Liens” means all mortgages, pledges, security interests, liens, charges, options, conditional sales agreements, restrictions, covenants, easements, rights of way, title defects or other encumbrances or restrictions of any nature whatsoever.

“Losses” means losses, damages, awards, fines, penalties, expenses, fees, liabilities, obligations, judgments, reasonable out of pocket costs and amounts paid in settlement (including reasonable fees and expenses of counsel) incurred or suffered by a Buyer Indemnified Party or Seller Indemnified Party, but excluding any indirect, consequential or punitive damages.

“Order” means any decree, directive, order, writ, judgment, stipulation, settlement, determination, decision, award, injunction, temporary restraining order, cease and desist order or other order by, or any capital plan, supervisory agreement or memorandum of understanding with any Governmental Entity.

“Permitted Liens” means (a) Liens for current Taxes not yet due and payable, (b) mechanics’, carriers’, workers’, repairers’, materialmens’, warehousemens’ and other Liens arising or incurred in the ordinary course of business, (c) the negative pledge granted by the Company or any of the Company Subsidiaries in connection with the HSBC Term Loan Facility and (d) such other Liens as are disclosed in Schedule 1.

“Person” means an individual, a partnership, a limited liability company, a joint venture, a corporation, a trust, an unincorporated organization, a government or any department or agency thereof or any other entity.

“Pre-Closing Tax Period” means any Tax period ending on or before the Closing Date; and, with respect to a Tax period that begins on or before the Closing Date and ends thereafter, the portion of such Tax period ending on the Closing Date; provided that Taxes for any such period shall be as determined pursuant to the next sentence. For this purpose, Taxes for a Tax period that begins on or prior to, and ends after, the Closing Date shall be apportioned between the period ending on (and including) the Closing Date and the period beginning after the Closing Date: (a) in the case of Taxes that are either (x) based upon or related to income or receipts or (y) imposed in connection with any sale or other transfer or assignment of property, by assuming that the relevant entity had a taxable year or period that ended at the close of the Closing Date and closing the books of such entity as of such date; and, (b) in the case of Taxes not described in clause (a) that are imposed on a periodic basis and measured by the level of any item, deemed

to be the amount of such Taxes (including any minimum) for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period) multiplied by a fraction the numerator of which is the number of calendar days in the period ending on the Closing Date and the denominator of which is the number of calendar days in the entire period.

“Pre-Closing Tax Return” means any Tax Return with respect to a taxable period ending on or prior to the Closing Date.

“Principal Approvals” means the required approvals for the transactions contemplated herein from the Pennsylvania Insurance Department and pursuant to the HSR Act.

“Purchase Price” shall be as defined in Section 2.3.

“Representative” means, with respect to any Person, an employee, director, officer, counsel, auditor, affiliate, agent, consultant, legal, accounting, financial or other advisor or other representative authorized by such Person to represent or act on behalf of such Person.

“Statutory Accounting Principles” means, with respect to any insurance company, those accounting principles and practices prescribed or permitted by the Commonwealth of Pennsylvania Commissioner of Insurance.

“Statutory Statements” means the annual or quarterly statements of the condition and affairs of each of the Company Subsidiaries which is an insurance company as filed with the Pennsylvania Department of Insurance.

“Taxes” means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto.

“Tax Return” means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

“Treasury Regulations” means the Treasury Regulations (including temporary regulations) promulgated by the United States Treasury Department with respect to the Code or other United States federal Tax statutes.

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## Section 1.2 Interpretations.

(a) Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.”

(b) Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular.

(c) All pronouns and variations of pronouns shall be deemed to refer to the feminine, masculine or neuter, singular or plural, as the identity of the Person referred to may require.

(d) Whenever the last day for the exercise of any right or the discharge of any duty under this Agreement falls on other than a Business Day, the Party having such right or duty shall have until the next Business Day to exercise such right or discharge such duty. Unless otherwise indicated, the word "day" shall be interpreted as a calendar day.

(e) References to dollars and "\$" mean United States dollars, unless otherwise indicated.

## ARTICLE II

### PURCHASE AND SALE OF THE SHARES

Section 2.1 Purchase and Sale of the Shares. Upon the terms and subject to the conditions of this Agreement, at the Closing provided for in Section 2.2, Seller shall sell, convey, assign, transfer and deliver to Buyer, and Buyer shall purchase, acquire and accept from Seller, the Shares, representing 100% of the issued and outstanding capital stock of the Company free and clear of all Liens.

Section 2.2 Closing. The purchase and sale of the Shares and the other transactions contemplated by this Agreement to be consummated at closing (the "Closing") shall take place at a location mutually agreeable to the Parties, on the third Business Day following the satisfaction of all conditions set forth in Article VI to the Parties' respective obligations to consummate the transactions contemplated hereby (other than those conditions contemplated to be satisfied at the Closing, but subject to satisfaction of such conditions at the Closing), or such other date and time as shall be agreed upon in writing by the Parties hereto. The date on which the Closing occurs is referred to herein as the "Closing Date."

Section 2.3 Purchase Price. The purchase price to be paid by Buyer to Seller at the Closing in consideration of the transfer by Seller to Buyer of the Shares shall be equal to \$221,000,000 (two hundred and twenty one million United States Dollars) (the "Purchase Price").

Section 2.4 Deliveries by Seller. At the Closing, Seller shall deliver, or cause to be delivered, to Buyer (unless delivered previously) the following:

(a) stock certificates representing all of the Shares, accompanied by stock powers duly executed in blank or a duly executed instrument or instruments of transfer, together with the stock certificates representing all the issued and outstanding shares of capital stock of the Company Subsidiaries;

(b) resignations of each of the directors of the Company, effective as of the Closing Date except as provided in Schedule Section 2.4(b);

(c) all other documents, certificates, instruments or writings required to be delivered by Seller on or prior to the Closing pursuant to this Agreement.

Section 2.5 Deliveries by Buyer. At the Closing, Buyer shall deliver or cause to be delivered to Seller (unless delivered previously) the following:

(a) the Purchase Price, in cash by wire transfer of immediately available funds, to a bank account designated by Seller at least two (2) Business Days prior to the Closing;

(b) all other documents, certificates, instruments or writings required to be delivered by Buyer on or prior to the Closing pursuant to this Agreement.

Section 2.6 Subject to the delivery of the applicable FIRPTA certificate and any other information or document of the Seller that is reasonably necessary to afford Seller an exemption from withholding or deduction of United States federal and state income tax, the Purchase Price, and each component thereof, shall be paid without withholding or deduction of United States federal or state income tax.

### ARTICLE III

#### **REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller hereby represents and warrants to Buyer, as of the date hereof as follows:

Section 3.1 Due Organization; Good Standing.

(a) Seller is a company duly organized and validly existing under the laws of Israel.

(b) The Company is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted.

(c) The Company is duly qualified or licensed and in good standing to do business in each jurisdiction in which the character of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing does not have a Company Material Adverse Effect.

(d) The Company is not in violation of its Certificate of Incorporation or Bylaws (or equivalent organizational documents) to the Knowledge of Seller.

### Section 3.2 Capitalization.

(a) The issued and outstanding capital stock of the Company consists exclusively of the Shares. All the Shares are owned directly by Seller, free and clear of all Liens, except as set forth in Schedule 3.2(a) of the Disclosure Schedule, and are duly authorized, validly issued, fully paid and non-assessable. The sale and delivery of the Shares as contemplated by this Agreement are not subject to any rights of first refusal, pre-emption rights, options or other transfer restrictions. Except as set forth in Schedule 3.2(a) of the Disclosure Schedule, the transactions contemplated by this Agreement shall convey to Buyer good title to the Shares, free and clear of all Liens.

(b) There are no options, warrants, rights or other agreements (apart from those rights set forth in the HSBC Term Loan Facility and as set forth in Schedule 3.2(a) of the Disclosure Schedule to which Seller or any of its Affiliates is a party or by which any of them is bound obligating any of them to (i) issue, deliver or sell, or refrain from issuing, delivering or selling, any shares of capital stock or other equity or ownership interest of the Company, or to grant, extend or enter into any such option, right or agreement, (ii) repurchase, exchange, convert, redeem or otherwise acquire, or to refrain from repurchasing, exchanging, converting, redeeming or otherwise acquiring, any shares of capital stock or other equity or ownership interest of the Company, or to grant, extend or enter into any such option, right or agreement or (iii) vote, or to refrain from voting, any shares of capital stock or other equity or ownership interest of the Company.

(c) There are no bonds, debentures, notes or other Indebtedness of the Company offering its holder the right to vote on any matters on which shareholders may vote (or which is convertible into, or exchangeable for, securities having such right).

### Section 3.3 Subsidiaries.

(a) Section 3.3(a) of the Disclosure Schedule lists all of the Company Subsidiaries and their jurisdictions of organization.

(b) All the outstanding capital stock and other equity or ownership interests of each Company Subsidiary is owned directly by the Company or a Company Subsidiary, free and clear of all Liens (other than Permitted Liens), and is duly authorized, validly issued, fully paid and non-assessable and free of rights of first refusal, pre-emption rights, options, or other transfer restrictions.

(c) None of the Company Subsidiaries is in violation of its Certificate of Incorporation or Bylaws (or equivalent organizational documents) to the Knowledge of Seller.

(d) Except as set forth in Section 3.3(d) of the Disclosure Schedule, there are no options, rights or other agreements (except as set forth in the HSBC Term Loan Facility) to which Seller or any of its Affiliates is a party or by which any of them is bound obligating any of them to (i) issue, deliver or sell, or refrain from issuing,

delivering or selling, any shares of capital stock or other equity or ownership interest of any of the Company Subsidiaries, or to grant, extend or enter into any such option, right or agreement, (ii) repurchase, exchange, convert, redeem or otherwise acquire, or to refrain from repurchasing, exchanging, converting, redeeming or otherwise acquiring, any shares of capital stock or other equity or ownership interest of any of the Company Subsidiaries, or to grant, extend or enter into any such option, right or agreement or (iii) vote, or to refrain from voting, any shares of capital stock or other equity or ownership interest of any of the Company Subsidiaries.

(e) Except for the investment portfolios of the Company and the Company Subsidiaries or as set forth in Section 3.3(a) of the Disclosure Schedule, neither the Company nor any of the Company Subsidiaries owns, directly or indirectly, any capital stock or other equity or ownership interests, or has any obligations to acquire any material capital stock or other material ownership interest, in any corporation, partnership, joint venture or other Person that is not a Company Subsidiary.

(f) Each Company Subsidiary is duly formed, validly existing and in good standing (or any equivalent thereof) under the laws of its jurisdiction of organization, has the power and authority to own, operate or lease the properties and assets now owned, operated or leased by such Company Subsidiary and to carry on its business as currently conducted, is duly qualified or licensed to do business as a foreign entity, and is in good standing as such, in each jurisdiction where the character of the properties owned, leased or licensed by it or the nature of its business makes such qualification, licensing or good standing necessary, except where the failure to be so qualified or licensed or be in good standing would not reasonably be expected to have a Company Material Adverse Effect.

(g) Section 3.3(a) of the Disclosure Schedule sets forth the name of each Company Subsidiary that is as of the date hereof an insurance company (collectively the “Insurance Subsidiaries”), the jurisdictions in which each Insurance Subsidiary is duly licensed or authorized to engage in the insurance business and the types of insurance business in which such Insurance Subsidiary is licensed to engage. Each of the Insurance Subsidiaries is duly licensed in each jurisdiction as set forth in Section 3.3(a) of the Disclosure Schedule and is authorized to conduct the types of insurance business it conducts in each jurisdiction where it conducts insurance business.

Section 3.4 Authority; Binding Agreement. Seller has all requisite power and authority to execute, deliver and perform its obligations under this Agreement and the Ancillary Agreements to which Seller is a party, and to consummate or cause the consummation of the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Ancillary Agreements to which Seller is a party, and the consummation of the transactions contemplated hereby and thereby, has been duly and validly authorized by the Board of Directors of Seller, and no other corporate proceedings on the part of Seller, the Company or any of the Company Subsidiaries are necessary to authorize this Agreement, the Ancillary Agreements to which Seller is a party or the consummation of the transactions contemplated hereby and thereby. This Agreement has been, and the Ancillary Agreements to which Seller is a party will be, duly and validly executed and delivered by Seller, and constitute (or will constitute) valid and binding agreements of Seller, enforceable against it in accordance with their terms, except that such enforcement may be subject to any bankruptcy, insolvency,



reorganization, moratorium or other laws, now or hereafter in effect, relating to or limiting creditors' rights generally.

Section 3.5 Consents and Approvals; No Violations. The execution and delivery by Seller of this Agreement and the Ancillary Agreements to which Seller is a party, and the consummation of the transactions contemplated hereby and thereby, and compliance by Seller with any of the provisions hereof or thereof, will not:

(a) conflict with or violate any provision of the Certificate of Incorporation or Bylaws (or equivalent organizational documents) of Seller, the Company or any of the Company Subsidiaries;

(b) require any consent, notice or other action under or result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation, amendment or acceleration) under, any material note, bond, mortgage, indenture, license, agreement, lease or other obligation or instrument to which, Seller, the Company or any of the Company Subsidiaries is a party or by which any of them or their property is bound, except: (i) as set forth in the HSBC Term Loan Facility; (ii) as set forth on Section 3.5(b) of the Disclosure Schedule or (iii) where the failure to receive any such consent, or the occurrence of any default would not be material to the Company and the Company Subsidiaries taken as a whole;

(c) conflict with, contravene or violate in any material respect any Applicable Law enforced or entered by any Governmental Entity to which Seller, the Company or any of the Company Subsidiaries is subject;

(d) to the Knowledge of Seller, require any filing or registration with, or notice to or authorization, consent or approval of, any Governmental Entity, except (i) such filings and notifications as may be required to be joined in by the Company under the HSR Act and the expiration or early termination of applicable waiting periods under the HSR Act, (ii) such filings and notifications as may be required to be made with the Pennsylvania Insurance Department and other regulatory agencies set forth in Section 3.5(d) of the Disclosure Schedule, and (iii) such filings as Buyer shall be required to make without reference to the identity, domicile or Business; or

(e) result (immediately or with the passage of time or otherwise) in the creation or imposition of a Lien upon any portion of the properties, rights or assets of the Company or any of the Company Subsidiaries other than Permitted Liens,

Section 3.6 Compliance with Applicable Law. Since January 1, 2010, the Company and each Company Subsidiary has been in compliance in all material respects, with all Applicable Laws, and neither the Company nor any Company Subsidiary has received any notice of a conflict with, or default or violation of, any Applicable Laws,

Section 3.7 Company Permits, the Company and the Company Subsidiaries hold the following permits (collectively, the "Company Permits"): (i) all insurance and other permits, licenses, authorizations, consents, and approvals from Governmental Entities

responsible for regulating insurance companies necessary to lawfully conduct their insurance businesses as presently conducted and to own, lease and operate their assets and properties, and (ii) all other permits, licenses, authorizations, consents, and approvals from any other Governmental Entities necessary to lawfully conduct their businesses as presently conducted and to own, lease and operate their assets and properties. All material Company Permits are in full force and effect, and no suspension or cancellation of any of the material Company Permits is, threatened in writing. The Company and the Company Subsidiaries are not in violation, of the terms of any material Company Permit to the Knowledge of the Seller.

Section 3.8 Intercompany Services and Transactions. Except as set forth on Section 3.8 of the Disclosure Schedule, (a) none of Seller or its Affiliates (other than the Company and the Company Subsidiaries) and to the Knowledge of Seller, none of the officers and directors of the Company or any Company Subsidiary, nor any immediate family member of such officer, or director ("Non-Company Affiliates"), has any direct or indirect ownership, participation, royalty or other interest in, or is an officer, director, employee of or consultant or contractor for any firm, partnership, entity or corporation that competes with, or does business with, or has any contractual arrangement with, the Company or any of the Company Subsidiaries (except with respect to any interest in less than 5% of the stock of any corporation whose stock is publicly traded), (b) no Non-Company Affiliate is a party to, or otherwise directly or indirectly interested in, any Contract to which the Company or any of the Company Subsidiaries is a party or by which the Company or any of the Company Subsidiaries or any of their respective assets or properties may be bound or affected, except for normal compensation for services as an officer, director or employee thereof, (c) no Non-Company Affiliate has any interest in any property, real or personal, tangible or intangible that is used in, or that relates to, the Business, except for transactions which are or would not reasonably be expected to have a Company Material Adverse Effect.

Section 3.9 Taxes.

Except as set forth on Section 3.9 of the Disclosure Schedule:

(a) The Company and each of the Company Subsidiaries have timely filed (or have caused to be timely filed) all income and other material Tax Returns required to be filed (taking into account all extensions of due dates) with the appropriate Tax authority and have paid, collected or withheld all income and other Taxes required to be paid, collected or withheld (without regard to whether such Taxes have been assessed whether or not such Taxes are reflected on such Tax Returns), other than such Taxes for which adequate reserves have been made in the applicable financial statements, including statutory financial statements, have been established. All such Tax Returns are accurate and complete in all material respects. To the Knowledge of the Seller, there are no material claims, assessments, audits, examinations, investigations or other proceedings pending against the Company or any of the Company Subsidiaries in respect of any Tax, and neither the Company nor any of the Company Subsidiaries has been notified in writing of any proposed Tax claims or assessments against the Company or any of the Company Subsidiaries except as identified in Section 3.9 of the Disclosure Schedule. Neither the Company nor any of the Company Subsidiaries has any outstanding waivers or extensions of any applicable statute of limitations to

assess any material amount of Taxes except as identified in Section 3.9 of the Disclosure Schedule. There are no outstanding requests by the Company or any of the Company Subsidiaries for any extension of time within which to file any Tax Return or within which to pay any Taxes shown to be due on any Tax Return. There are no encumbrances for amounts of Taxes on the assets of the Company or any of the Company Subsidiaries, except for Permitted Liens.

(b) Neither the Company nor any of the Company Subsidiaries is or (i) has been at any time within the five-year period ending on the date hereof a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code and (ii) has been since June 1, 2007 a member of any consolidated, combined, unitary or affiliated group of corporations for any Tax purposes other than a group of which Company is or was the common parent corporation.

(c) Neither the Company nor any of the Company Subsidiaries is a party to any Tax-sharing agreement or similar arrangement with any Person other than such agreements between the Company and the Company Subsidiaries.

(d) Neither the Company nor any of the Company Subsidiaries has participated in any "reportable transaction" within the meaning of Treasury Regulations Section 1.6011-4 or any other corresponding or similar provision of state, local or foreign Laws.

(e) Since June 1, 2007, neither the Company nor any of the Company Subsidiaries have (i) changed any Tax accounting methods, policies or procedures that currently requires, or will require, an adjustment to the taxable income of the Company or any of the Company Subsidiaries under Code Section 481 for any period following the Closing Date, (ii) filed any amended Tax Returns or claim for refund or (iii) entered into any closing agreements affecting or otherwise settled or compromised any material Tax liability or refund if such change, election, amendment, claim, agreement, settlement or compromise would have the effect of increasing in any material respect the Tax liability of the Company or any of the Company Subsidiaries for any period ending on the Closing Date.

(f) Neither the Company nor any Company Subsidiary has liability for Taxes of any Person under Treasury Regulations Section 1.1502-6 (or similar provision of state, local or foreign Laws), or as a transferee or successor.

Section 3.10 Brokers and Finders. Other than as set forth in Section 3.10 of the Disclosure Schedule, neither Seller nor any of its Affiliates has retained any agent, broker, investment banker, financial advisor or other firm or person that is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement or any Ancillary Agreement.

Section 3.11 No Other Representations or Warranties. Except for the representations and warranties made by Seller in this Article III, Seller, does not make any express or implied representation or warranty with respect to Seller, the Company or any of the Company Subsidiaries or their respective businesses, operations, assets, liabilities, condition

(financial or otherwise) or prospects in connection with this Agreement or the transactions contemplated hereby, and Seller hereby disclaims any such other representations or warranties. In particular, without limiting the foregoing disclaimer, Seller has not made, and hereby explicitly disclaims, any representation or warranty to Buyer or any of its affiliates, advisors, agents or representatives with respect to (a) any financial projection, forecast, estimate, budget or prospective or forward-looking information relating to the Company or any of the Company Subsidiaries or their respective businesses, or (b) any oral representations or, except for the representations and warranties made by Seller in this Article III, written information presented to Buyer or any of its affiliates, advisors, agents or representatives in the course of their due diligence investigation of the Company and the Company Subsidiaries, the negotiation of this Agreement, the Ancillary Agreements or in the course of the transactions contemplated hereby or thereby.

#### Section 3.12 Financial Statements.

(a) The Seller has heretofore delivered to the Buyer true and complete copies of the Statutory Statements of each Company Subsidiary which is an insurance company and a consolidated statement prepared under GAAP of the Company for the year ended December 31, 2011, and for the quarters ending March 31, 2012, and June 30, 2012.

(b) The Statutory Statements of Company Subsidiaries which are insurance companies were each prepared in accordance with Statutory Accounting Principles, consistently applied throughout the periods involved (except as may be indicated in the notes thereto regarding the adoption of new accounting policies), and present fairly in all material respects and in accordance with Statutory Accounting Principles, the statutory financial position of each Company Subsidiary which is an insurance company at the respective dates thereof and the results of operations of each such Company Subsidiary, for the respective periods then ended. The Statutory Statements of each Company Subsidiary which is an insurance company each complied in all material respects with Statutory Accounting Principles, and fairly present the statutory financial position of each Company Subsidiary which is an insurance company in all material respects when filed, and no material weakness or significant deficiency of internal control over financial reporting has been asserted in writing with respect to any of the Statutory Statements of the Company Subsidiaries by an auditor or by the Pennsylvania Insurance Department.

(c) Absence of Changes. Except as set forth in Section 3.12(c) of the Disclosure Schedule or for the transactions contemplated hereby, since June 30, 2012 through the date hereof, there has not been any material adverse change in the business, licenses, condition, capitalization, assets, liabilities, operations or financial performance of the Company and the Company Subsidiaries taken as a whole and no event has occurred or circumstance has arisen that could reasonably be expected to have a Company Material Adverse Effect. In all determinations under this Section, any positive changes shall also be taken into consideration.

Section 3.13 Legal Proceedings. Except as set forth in Section 3.13 of the Disclosure Schedule and for Actions arising out of or in connection with insurance policies and reinsurance contracts, there is no civil, criminal, administrative or other Action pending or, to

Seller's Knowledge, threatened against Company or any Company Subsidiary, which if such Action was finally accepted is reasonably expected to have a Company Material Adverse Effect. Except as set forth in Section 3.13 of the Disclosure Schedule, there is no outstanding order, writ, judgment, injunction, fine, award, determination or decree of any court, other Governmental Entity or arbitrator against Company or any Company Subsidiary which has had or could reasonably be expected to have a Company Material Adverse Effect. Except as disclosed in Section 3.13 of the Disclosure Schedule, there is no Action pending or, to Seller's Knowledge, threatened against or affecting the Seller, Company or any Company Subsidiary that (i) seeks to restrain or enjoin the consummation of any of the transactions contemplated by this Agreement or any Ancillary Agreement or (ii) would reasonably be expected to materially impair the ability of the Seller to consummate any of the transactions contemplated by this Agreement or any Ancillary Agreement.

Section 3.14 Contracts. Section 3.14 of the Disclosure Schedule contains a true and complete list as of the date hereof of all of the following contracts in effect or pursuant to which Company or any Company Subsidiaries has any obligations (excluding this Agreement and insurance policies) to which any of the Company or Company Subsidiary is a party:

(a) Partnership or joint venture contracts other than any interest in a partnership or joint venture that is part of the investment portfolios of the Company and the Company Subsidiaries;

(b) Contracts containing any covenant of Company or Company Subsidiary not to compete with any Person or in any material location or geographic area or any material limitation or restriction on the ability of Company or any Company Subsidiary to engage in the line of business in which Company or any Company Subsidiary conducts business;

(c) Contracts relating to the borrowing of money, or the direct or indirect guaranty of any obligation for borrowed money by Company or any Company Subsidiary to service the repayment of borrowed money or any other liability in respect of indebtedness for borrowed money of any other Person other than Company or a Company Subsidiary;

(d) Material lease, sublease, rental, licensing, use or similar contracts with respect to real estate property providing for annual rental, license, or use payments or the guaranty of any such lease, sublease, rental, licensing or other Contracts;

(e) Contracts (A) in excess of \$500,000 individually for the purchase, acquisition, sale or disposition of any assets or properties or any option with respect thereto other than in the ordinary course of business; or (B) equity interests in any of the Company or Company Subsidiary, other than in connection with the management of the Company's or the Company Subsidiaries' investment portfolio in the ordinary course of business, or (C) for the grant to any Person of any option or preferential rights to purchase any equity interests in any of the Company or the Company Subsidiaries;

(f) Any Contract that provides for the indemnification of any officer, director, employee or agent and any employment or other similar contracts with any current or past (such having terminated within the previous 3 years) officer, director, Employee or agent, excluding charter and bylaw documents for the Company and the Company Subsidiaries;

(g) Contracts pursuant to which there is either a current or future obligation of any of the Company or the Company Subsidiaries to make payments and either that is not terminable by the Company or the Company Subsidiaries by notice of not more than ninety (90) days at no cost or for which Company or the Company Subsidiaries' annual liability is greater than \$500,000 not otherwise listed in Section 3.14 of the Disclosure Schedule;

(h) the twenty (20) largest agency, broker, selling, marketing or similar Contracts;

(i) asset management agreements with any other Person;

(j) Contracts under which Persons provide material information, technology products or information technology services to any of the Company or the Company Subsidiaries;

(k) Contracts providing for indemnification of any special purpose vehicle or other financing entity, including off balance sheet entities; and

(l) Any other Contract that could reasonably be expected to have a Company Material Adverse Effect.

Section 3.15 Environmental Matters. Each of the Company and Company Subsidiaries has complied in all material respects with all applicable environmental laws. Other than liabilities arising from insurance policies, none of the Company and the Company Subsidiaries has received any written demand or notice that it is or may be liable under any environmental law.

Section 3.16 Intellectual Property. Each of the Company and Company Subsidiaries owns, licenses or otherwise possesses rights to use, all patents, trademarks, trade names, service marks, copyrights, technology, know-how, computer software programs or applications, and tangible or intangible proprietary information or materials (collectively, "Intellectual Property") that are material to the Business. Except as set forth in Section 3.16 of the Disclosure Schedule, each of Company and Company Subsidiaries has not received any written communication alleging that Company or any Company Subsidiary has violated any of the Intellectual Property of any other Person.

Section 3.17 Employee Benefit Plans. Section 3.17 of the Disclosure Schedule contains a true and complete list as of the date hereof of all material employee benefit plans. Except as set forth in Section 3.17 of the Disclosure Schedule, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will: (i)

increase any benefits otherwise payable under any Plan; (ii) result in the acceleration of the time of payment or vesting of any benefits under any employee benefit plan or (iii) result in any payment, under any agreement or arrangement in which the Company or a Company Subsidiary is a party, becoming due to any individual that would constitute an “excess parachute payment” under section 280G of the Code.

## ARTICLE IV

### **REPRESENTATIONS AND WARRANTIES OF BUYER**

Section 4.1 Buyer hereby represents and warrants to Seller, as of the date hereof, as follows:

(a) Due Organization; Good Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of Nebraska.

(b) Authority; Binding Agreement. Buyer has all the requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby has been duly and validly authorized by the Board of Directors of Buyer and no other corporate proceedings on the part of Buyer are necessary to authorize this Agreement or the consummation of the transactions contemplated hereby and thereby. This Agreement has been, and the Ancillary Agreements will be, duly and validly executed and delivered by Buyer and constitutes (or will constitute) a valid and binding agreement of Buyer, enforceable against it in accordance with their terms, except that such enforcement may be subject to any bankruptcy, insolvency, reorganization, moratorium or other laws, now or hereafter in effect, relating to or limiting creditors’ rights generally.

(c) Consents and Approvals; No Violations. The execution and delivery by Buyer of this Agreement and the Ancillary Agreements, the consummation by Buyer of the transactions contemplated hereby and thereby, and the compliance by Buyer with any of the provisions hereof or thereof, will not:

i. conflict with or violate any provision of the Certificate of Incorporation or Bylaws or other constitutive documents of Buyer;

ii. conflict with, contravene or violate in any respect any Applicable Law enforced or entered by any Governmental Entity to which Buyer or any of its assets or properties is subject;

iii. require any declaration, filing or registration with, or notice to or authorization, consent waiver, order or approval of, any Governmental Entity, other than the Principal Approvals; or

iv. require any consent, notice or other action under or result in a violation or breach of, or constitute (with or without due notice or lapse of time or

both) a default (or give rise to any right of termination, cancellation, amendment or acceleration) under, any material note, bond, mortgage, indenture, license, lease or other material contract to which Buyer is a party or by which Buyer or its property is bound, except as would not reasonably be expected to delay or prevent the consummation of the transactions contemplated hereby.

(d) Financing. On the date hereof Buyer has, and as of the Closing Date Buyer will have funds sufficient to pay the Purchase Price and consummate the transactions contemplated hereby, as well as funds sufficient to retire the HSBC Term Loan Facility. Buyer acknowledges that any failure to obtain the financing necessary to consummate the transaction contemplated hereby shall not constitute a defense or condition precedent to its obligations hereunder.

(e) Investor Experience. Buyer is an informed and sophisticated purchaser, familiar with the insurance industry, and has engaged expert advisors, experienced in the evaluation and purchase of investments such as the contemplated acquisition of the Business as contemplated hereunder, and as such, has undertaken such investigation as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of the Agreement. Buyer is purchasing the Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Buyer has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the Shares and is capable of bearing the economic risks of such investment. Buyer has undertaken such investigation and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Agreement and the transactions contemplated hereby Buyer has received all materials relating to the business of the Company and the Company Subsidiaries that it has requested. Buyer acknowledges that the Company and the Company Subsidiaries has given Buyer complete and open access to the key employees, documents and facilities of the Company and the Company Subsidiaries. Seller and the Company and their respective Representatives have answered, to Buyer's satisfaction, all inquiries that Buyer and its Representatives has made concerning the business of the Company and the Company Subsidiaries or otherwise relating to the transactions contemplated hereby. Buyer understands and agrees that is acquiring the Company and the Company Subsidiaries in the condition the Company and the Company Subsidiaries are in at the Closing based upon Buyer's own inspection, examination and determination of all matters related thereto, and without reliance upon any express or implied representations or warranties of any nature, whether in writing, orally or otherwise, made by or on behalf of or imputed to the Company or any of the Company Subsidiaries except for the representations and warranties of Seller, the Company and the Company Subsidiaries, as applicable, set forth in Article III.

(f) Principal Approvals. Buyer does not require any third party approval other than the Principal Approvals for the transactions contemplated hereby, and Buyer is not aware of any reason why the Principal Approvals would not be obtained and in a timely manner or why they would be delayed.



(g) Brokers and Finders. Other than as set forth in (g)(g), Buyer has not retained any agent, broker, investment banker, financial advisor or other firm or person that is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement or any Ancillary Agreement.

## ARTICLE V

### COVENANTS OF THE PARTIES

Section 5.1 Conduct of the Business of the Company. From the date of this Agreement to the Closing, except as otherwise contemplated by this Agreement or consented to by Buyer in writing (which consent shall not be unreasonably withheld), Seller shall cause the Company and each of the Company Subsidiaries to conduct its respective business in the ordinary course of business consistent with past practice and in material compliance with Applicable Law, and shall use commercially reasonable efforts to (i) preserve substantially intact its business organization as a corporation or other entity duly organized, validly existing and in good standing; and (ii) keep available the services of its officers and employees.

Section 5.2 From the date of this Agreement to the earliest of the Outside Date, the Closing or the termination of this Agreement in accordance with its terms, except as (i) required in order to comply with Applicable Law or Company Permit or (ii) otherwise provided for by this Agreement or consented to by Buyer in writing (which consent shall not be unreasonably withheld), Seller shall prevent the Company and each of the Company Subsidiaries from taking any of the following actions:

(a) amend, waive or otherwise change, in any respect, the Certificate of Incorporation or Bylaws (or comparable governing instruments) of the Company or the Company Subsidiaries;

(b) make any material change in any method of accounting or accounting practice by the Company or any of the Company Subsidiaries, except for changes required by GAAP, or by Statutory Accounting Principles, as applicable;

(c) merge or consolidate or enter into a business combination with or acquire the business of any other Person or acquire, lease or license any material right or any other material property or assets of any other Person;

(d) issue, sell, pledge, hypothecate, assign, transfer or otherwise dispose of (whether or not for value) any shares of capital stock, membership units or other equity securities or any security convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire any capital stock, membership units or other equity securities, or otherwise make any change in its capitalization of the Company or the Company Subsidiaries, provided that grant or payment of phantom stock rights redeemable only in cash under the Company's long term incentive plan listed in Schedule (d) shall not be subject to this Section 5.2(d);

(e) other than in connection with the management of each of the Company or each Company Subsidiary's investment portfolio in the ordinary course of business, sell, pledge, lease, license or dispose of a material portion of any of their respective assets;

(f) other than in connection with the management of each of the Company or each Company Subsidiary's investment portfolio, acquire any investment outside of the ordinary course of business, except as required under contracts in force as of the date hereof, for which Company or Company Subsidiary has any contractual limitation on sale;

(g) split, combine, recapitalize, reverse stock split or reclassify any shares of their respective capital stock or other securities, or declare, pay or set aside any sum for any dividend or other distribution (whether in cash, stock or property, any combination thereof or otherwise) in respect of their respective capital stock, or redeem, purchase or otherwise acquire (or agree to redeem, purchase or otherwise acquire) any of their respective capital stock or any of its other securities or any rights, warrants or options to acquire any such capital stock or securities;

(h) authorize, issue, sell, grant, dispose of, transfer, pledge or otherwise encumber any shares of their respective capital stock, any of its equity interests, any other of its voting securities or any securities convertible into or exchangeable for, or any rights, warrants, call or options to acquire, any such shares, equity interests, voting securities or convertible or exchangeable securities;

(i) adopt a plan of complete or partial liquidation, dissolution, rehabilitation, merger, consolidation, restructuring, recapitalization, redomestication or other reorganization;

(j) adopt a new employee benefit plan, amend any current employee benefit plan or permit any employee benefit plan to enter into any material contract, insurance arrangement or obligation to increase present or future benefits to employees under such employee benefit plan or the present or future cost of providing benefits to employees under such employee benefit plan except, in each case, as required by applicable law;

(k) enter into or agree to any material regulatory restrictions or arrangements;

(l) enter into or amend any written employment agreement or written employment contract with any director, officer or employee of the Company or Company Subsidiary (for the sake of clarity, excluding the engagement of the Company with any employee based solely upon a job offer);

(m) lend money to any Person or incur or guarantee any debt other than (i) any loan or guarantee extended in the ordinary course of business which does not individually exceed \$1,000,000, or (ii) in connection with the investment portfolio of the Company and the Company Subsidiaries;

(n) make, authorize or commit to any capital expenditures in excess of \$1,000,000 individually other than as set forth in the capex budget or pursuant to Contracts as of the date hereof;

(o) expend any amount (including legal, brokerage, investment bank fees or other expenses) in connection with this Agreement or its execution, unless reimbursed by the Seller at or prior to the Closing;

(p) settle or compromise any Action, other than (A) any claims (including insurance-related claims) or litigation for which the sole remedy is monetary damages where the cost to the company net of reinsurance or applicable cash reserve as of June 30, 2012 is, individually, less than \$1,000,000, or (b) as required by a final or non-appealable judgment of an arbitration panel or court;

(q) commute any ceded reinsurance contract regardless of the amount of consideration;

(r) make or change any material tax election, enter into, amend, terminate or otherwise restructure any intercompany agreements relating primarily to taxes except as otherwise provided in this Agreement, change an annual accounting period, adopt or change any material accounting method, other than due to a change in Law or accounting requirements, settle any tax claim, consent to any extension or waiver of the limitation period applicable to any material tax claim or assessment relating to any of the Company or Company Subsidiary, in all cases to the extent that such election, adoption, change, consent or other action would have the effect of materially increasing the tax liability of any of the Company or Company Subsidiary for any period ending after the Closing Date or materially decreasing any tax attribute of any of the Company or Company Subsidiary existing on the Closing Date;

(s) make any change in its financial or statutory accounting methods, principles or practices used by it materially affecting their respective assets or liabilities (including reserve methods, practices and policies in effect on June 30, 2012, except insofar as may be required by a change in law or applicable accounting principles);

(t) forfeit, abandon, amend, modify, waive or terminate any material Company Permit;

(u) enter into any material transaction or take any other material action outside the ordinary course of business; or

(v) agree in writing to do any of the foregoing.

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Section 5.3 Nothing in this Article V shall restrict the ability of the Company or any Company Subsidiary from (a) making any payments in accordance with the terms of the HSBC Term Loan Facility as in effect on the date hereof, or (b) infusing additional equity into the Company or a Company Subsidiary.

Section 5.4 Access; Confidentiality. From the date hereof until the Closing, the Seller will, and will cause the Company and Company Subsidiaries, subject to applicable

Law, to (i) allow the Buyer and its officers, employees, counsel, accountants, actuaries, consultants and other authorized representatives (“Representatives”) to have reasonable access to the books, records, tax returns, financial statements, contracts, work papers and other information and documents relating to the Company and Company Subsidiaries, assets, properties, facilities, management and personnel of any of the Company and Company Subsidiaries at all reasonable times and upon reasonable notice, provided that any such access is in a manner so as not to interfere with the normal operation of the business of the Company and Company Subsidiaries, and (ii) cause the respective Representatives of the Seller and the Company or the Company Subsidiaries to cooperate in good faith with the Buyer and its Representatives in connection with all such access.

The Parties shall act at all times in accordance with the terms and provisions of the Confidentiality Agreement.

Section 5.5 Confidentiality. Buyer hereby acknowledges that, pending the Closing, any information provided or made available to it by or on behalf of Seller, the Company or any Company Subsidiary shall be kept confidential in accordance with the Confidentiality Agreement between Buyer and Seller, dated August 6, 2012 (the “Confidentiality Agreement”). Buyer acknowledges that some or all of the information provided to Buyer in connection with the transactions contemplated by this Agreement, including due diligence material, may be non-public and price sensitive (and may be considered to be “inside information” under Israeli securities laws) and that the use of such information may be regulated or prohibited by applicable legislation relating to insider trading. Buyer undertakes not to use any such information for any unlawful purpose. Buyer further expressly agrees that all such information is non-transferable and that Buyer may not engage in transactions involving the securities of Seller or any of its direct or indirect shareholders and/or any of their affiliates, including public companies, while such information is in its possession to the extent provided in Section 14 of the Confidentiality Agreement.

Section 5.6 Pennsylvania Insurance Department. Seller and Buyer shall each have the right to advise the Pennsylvania Insurance Department of the contemplated Share Sale at such stage of the transaction process or in such manner as Seller or Buyer deems appropriate.

Section 5.7 Efforts and Actions to Cause Closing.

(a) Upon the terms and subject to the conditions of this Agreement, Buyer and Seller shall use their respective reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to cooperate with each other in order to do all things necessary, proper or advisable to consummate the Closing as promptly as practicable, including the preparation and filing of all forms, registrations and notices required to be filed to consummate the Closing and the taking of such actions as are necessary to obtain any requisite approvals, authorizations, consents, orders, licenses, permits, qualifications, exemptions or waivers by any third party or Governmental Entity, including the Principal Approvals (the “Required Regulatory Approvals”). No Party hereto shall take any action after the date hereof that could reasonably be expected to materially delay the obtaining of, or result in not obtaining, any permission, approval or consent from any third party, Governmental Entity or other Person required to be obtained prior to Closing (including the Required Regulatory Approvals).

(b) The Parties shall use reasonable best efforts to file as soon as practicable, but in no event later than twenty (20) days following the date hereof, the notifications under the HSR Act to permit consummation of the Closing. Seller and Buyer shall use its reasonable best efforts to provide fully, promptly and timely any information or documentation requested by any applicable Governmental Entity in connection with the filings and notifications required under the HSR Act.

(c) Buyer shall use reasonable best effort to file as soon as practicable, but in no event later than twenty (20) days following the date hereof, a "Form A" statement regarding the acquisition of control of the Insurance Subsidiaries with the Pennsylvania Insurance Department. Seller shall provide reasonable cooperation to Buyer to the extent appropriate in the circumstances in connection with the "Form A" process. Buyer shall timely and fully perform such further acts and execute such further documents as may reasonably be necessary to obtain the approval from the Pennsylvania Department of Insurance in the time frame contemplated by this Agreement.

(d) For the avoidance of doubt, failure by Seller or Buyer to make timely and complete filings and provide full and timely information, as provided in this Section 5.7, shall be considered a material breach of the Agreement.

(e) Each Party shall promptly inform the other Party of any material written or oral communication with any Governmental Entity regarding the transactions contemplated hereby except as prohibited by law and except for non-public information filed with a Government Entity to obtain clearance under the HSR Act.

(f) Without derogating from the generality of any of the foregoing, Buyer and Seller shall provide reasonable notice to the other Party regarding any meeting with regulatory or credit agencies regarding the rating of the Company or the Company Subsidiaries in connection with the transactions contemplated hereby, and any such meetings shall be fully coordinated by the Parties. Seller and Buyer shall each have the right to participate in any such meetings with any such regulatory or credit agency. To the extent that a Party has elected not to participate in such meetings, the other Party shall promptly inform the absent Party in reasonable detail of any such discussions with regulatory or credit agencies.

(g) Without derogating from Section 5.7 above, Buyer and Seller shall, and Seller shall cause the Company and each Company Subsidiary to, use reasonable best efforts in taking such actions, furnishing information required to obtain in a timely manner any actions, consents, approvals or waivers required for the consummation of the transactions contemplated herein.

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Section 5.8 Public Announcements Prior to the Closing, Seller and Buyer shall consult with each other before issuing any report, statement or press releases or otherwise making any public statements with respect to this Agreement and the transactions contemplated hereby and neither of them shall issue any such report, statement or press release or make any such public statement prior to such consultation and the approval of the other Party (such approval not to be unreasonably withheld, conditioned or delayed), except as in the reasonable judgment of the Party may be required by Applicable Law, in which case, to the extent

reasonably practicable, such Party shall advise and confer with the other Party before issuing any such report, statement or press release. Notwithstanding the foregoing, any disclosure by Seller in accordance with any Applicable Law or stock exchange regulation will be determined and made solely by Seller and Seller shall reasonably inform the Buyer regarding such disclosure. Notwithstanding the foregoing, any disclosure by Buyer in accordance with any Applicable Law or stock exchange regulation will be determined and made solely by Buyer and Buyer shall reasonably inform the Seller regarding such disclosure.

Section 5.9 Non-Solicitation of Employees. Commencing at the Closing and continuing for twenty-four (24) months thereafter, Seller and each of Seller's controlled Subsidiaries shall not solicit employment or hire any employees of the Company or the Company's Subsidiaries provided, further, that this provision shall not prohibit Seller and its controlled Subsidiaries from engaging in a broad solicitation aimed at the general public and not targeted at any employee of the Company or any Company Subsidiary.

Section 5.10 Non-Competition. Commencing at the Closing and continuing for twenty-four (24) months thereafter, Seller and each of Seller's controlled Subsidiaries shall not manage, own or operate, or establish or acquire control of, lend money or render financial or other material assistance to, or participate in the ownership (other than Seller's and its controlled Subsidiaries' passive ownership of five percent (5%) or less of the outstanding securities of any entity whose securities are listed on any national securities exchange or traded actively in the national over-the-counter market) of any insurance company primarily engaged in workers compensation insurance in the United States.

Section 5.11 Director Resignations. At or prior to the Closing, Seller shall deliver to Buyer the resignations, effective as of the Closing, of all of the members of the Boards of Directors of the Company and each Company Subsidiary, except as may hereafter be designated by Buyer (each, a "Resignation" and "Resigning Director" respectively), and each such Resigning Director shall provide a limited release in the form to be agreed between the Parties (each, a "Director Release"). Without derogating from Buyer's rights to indemnification set forth below, at or prior to Closing, following receipt of any Resignation and Director Release, the Company or a Company Subsidiary, as applicable, shall provide to such Resigning Director a release from all claims (other than any claims for fraud or any breach of a duty of loyalty) through the Closing Date.

Section 5.12 D&O Tail Insurance. Buyer shall ensure that the Company and each Company Subsidiary shall purchase, at the Seller's sole expense, D&O "tail policy" insurance with effect from the Closing, on substantially the same terms as the Company's current D&O coverage and covering without limitation, the transactions contemplated by this Agreement (the "Tail Insurance Policies"), provided, that such Tail Insurance Policy (i) would not subject the Buyer or the Company to any monetary obligations following the Closing (however, they shall reasonably notify the Seller in order to enable it to cover in full any such monetary obligations to keep the Tail Insurance Policies in full force and effect and (ii) shall not oblige the Buyer or the Company or the Company Subsidiaries to maintain any other director and officers insurance following the Closing. Nothing in this Agreement is intended to, shall be construed to or shall release, waive or impair any rights to directors' and officers' insurance claims under any policy that is or has been in existence with respect to the Company

or any of the Company Subsidiaries for any of their respective directors, officers or other employees or any rights which they may have under indemnification, contribution or exculpation that such individuals may have under the applicable organization documents or by contract.

Section 5.13 Intercompany Accounts. Except as otherwise expressly contemplated by this Agreement or set forth in Section 5.13 of the Disclosure Schedule, all agreements and commitments, whether written or oral, which are between the Company or any Company Subsidiary, on the one hand, and Seller and its Affiliates (excluding the Company and the Company Subsidiaries), on the other hand, shall be terminated and cancelled and any amounts due with respect thereto settled in full at or prior to the Closing and Seller, the Company, and the Company Subsidiaries shall be fully released from any and all liabilities or obligations arising in connection with any such agreements and commitments.

Section 5.14 Further Assurances.

(a) From and after the date of this Agreement (including after the Closing), each of Seller and Buyer shall use reasonable best efforts to furnish or cause to be furnished to the other Party and its Representatives such information and reasonable assistance relating to the Company and the Company Subsidiaries (to the extent within the control of such other Party) as is reasonably necessary for required Tax and financial reporting and required accounting matters of the other Party, including the furnishing of such documentation and information relating to the Company and the Company Subsidiaries as may be reasonably requested in connection with the preparation of Tax Returns, reports, accounts and other documents and materials or other public filings to be filed with or submitted to any Governmental Entity or any stock exchange.

(b) At any time and from time to time, each Party to this Agreement agrees to use reasonable best efforts, subject to the terms and conditions of this Agreement, to take such actions and to execute and deliver such documents as may be necessary to effectuate the purposes of this Agreement at the earliest practicable time.

Section 5.15 HSBC Term Loan.

(a) To the extent that HSBC does not consent to the contemplated change in control of the Company, following receipt by Buyer of related pay-off letters or other similar documentation, Buyer shall pay off or cause to pay off at or immediately prior to the Closing all amounts specified in such pay-off letters or similar documentation and in connection therewith, terminate the HSBC Term Loan Facility.

(b) In all events, regardless of whether HSBC consents to the contemplated change in control of the Company, at the Closing, Buyer shall cause HSBC to provide a full and unconditional release of Seller from its obligations as Guarantor under the HSBC Term Loan Facility, such release to be satisfactory to Seller in its sole discretion.

Section 5.16 Approvals from Israeli Lenders. Seller undertakes to deliver those consents delineated in Section 5.16. The Parties agree that if such consents are conditioned upon

the transfer of proceeds to the applicable third party, then the Closing shall be arranged to satisfy said conditions simultaneously with or immediately upon the Closing.

## ARTICLE VI

### CONDITIONS TO CLOSING

Section 6.1 Conditions to Obligations of Each Party. The respective obligations of the parties to consummate the transactions contemplated by this Agreement are subject to fulfillment at or prior to Closing of the following conditions:

(a) No Injunction. No Order issued by any Governmental Entity or other legal restraint or prohibition preventing the consummation of the transactions contemplated by this Agreement shall be in effect and no law shall have been enacted, entered or promulgated by any Governmental Entity that prohibits or makes illegal the consummation of the consummation of the transactions contemplated by this Agreement; provided, however, that (i) prior to asserting failure of this condition, each of the parties hereto shall have used reasonable best efforts to prevent the entry of any such Order or other legal restraint that may be entered and (ii) nothing herein shall derogate from the obligations of the Parties hereunder.

(b) Principal Approvals. The Principal Approvals shall have been obtained and shall remain in full force and effect and all statutory waiting periods (including any extension thereof) in respect thereof shall have expired or been terminated and notice of the pendency of the transaction to the insurance regulators of those states that require by statute or regulation that prior notice of the transaction be given. In all cases, prior to asserting failure of any condition pursuant to this Section 6.1(b), the Parties have satisfied their covenants and agreements hereunder, including, without limitation, the obligations of the Parties under Section 5.7.

(c) All required third party consents specifically delineated in Schedule Section 6.1(c) shall have been provided or waived. Nothing herein shall derogate from the obligations of the Parties under Section 5.15 and Section 5.16.

Section 6.2 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Closing of each of the following conditions (any or all of which, to the extent permitted by law, may be waived, in whole or in part, by Seller):

(a) Representations and Warranties. The representations and warranties of Buyer set forth in Article IV shall be true and correct as of the date of this Agreement (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct as of such earlier date);

(b) Performance. Buyer shall have performed and complied with all agreements, obligations, covenants and conditions required by this Agreement to be so performed or complied with by Buyer at or prior to the Closing, including (i) full and



unconditional release of Seller from its obligations as Guarantor under the HSBC Term Loan Facility, such release to be satisfactory to Seller in its sole discretion, and (ii) retirement of the HSBC Term Loan Facility in the event that HSBC does not, for any reason, fully and unconditionally consent prior to the Closing Date to the change in control of the Company and the indirect change in control of the Company Subsidiaries contemplated hereby and to the transactions contemplated hereby;

(c) Compliance Certificate. Buyer will have delivered to Seller a certificate of Buyer dated as of the Closing Date to the effect that each of the conditions specified above in Section 6.2(a) and Section 6.2(b) has been satisfied;

(d) HSBC. (i) HSBC shall have provided (A) a full and unconditional consent prior to the Closing Date to the change in control of the Company and the indirect change in control of the Company Subsidiaries contemplated hereby; (B) a waiver of any rights that HSBC has against the Seller under the HSBC Term Loan Facility (including a full and unconditional release of Seller from its obligations as Guarantor under the HSBC Term Loan Facility); and (C) a waiver of any rights that HSBC would have had against the Seller under the HSBC Term Loan Facility as a result of such change in control and the transactions contemplated hereunder, or (ii) Seller will have obtained, and provided to Buyer copies of, pay-off letters or other similar documentation to the effect that there will be no outstanding amounts payable in respect of the HSBC Term Loan Facility upon payment at the Closing by the Buyer of the amounts specified in such pay-off letters or similar documentation which shall include a full and unconditional release of Seller from its obligations as Guarantor under the HSBC Term Loan Facility, such release to be satisfactory to Seller in its sole discretion. Nothing herein shall derogate from the obligations of the Buyer under Section 5.15.

(e) Corporate Documents. Seller shall have received from Buyer certified (by the Secretary or the Assistant Secretary of the Buyer) copies of the resolutions duly adopted by the Board of Directors of Buyer approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and such resolutions shall be in full force and effect as of the Closing Date;

(f) Ancillary Agreements. Seller will have received a fully executed copy of each Ancillary Agreement duly executed by Buyer; and

Section 6.3 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement are subject to the fulfillment at or prior to the Closing of each of the following conditions (any or all of which, to the extent permitted by law, may be waived, in whole or in part, by Buyer):

(a) Representations and Warranties. The representations and warranties of Seller set forth in Article III shall be true and correct as of the date of this Agreement and shall be true and correct at and as of the Closing Date, (taking into account the amendment of the Disclosure Schedule during the period between the date hereof and the Closing Date), as if made at and as of such time (except to the extent expressly made as of an earlier date, in which case such representations and warranties shall be true and correct as

of such earlier date), other than to the extent that any aspect that is not true and correct shall not constitute a Company Material Adverse Effect;

(b) Performance. Seller shall have performed and complied, in all material respects, with all agreements, obligations, covenants and conditions required by this Agreement to be so performed or complied with by Seller at or prior to the Closing, including delivery of the Resignations and the Director Releases;

(c) Compliance Certificate. Seller will have delivered to Buyer a certificate of Seller dated as of the Closing Date to the effect that each of the conditions specified above in Section 6.3(a) and Section 6.3(b) has been satisfied;

(d) Corporate Documents. Buyer shall have received from Seller certified (by the Secretary of the Seller) copies of the resolutions duly adopted by the Board of Directors of Seller approving the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and such resolutions shall be in full force and effect as of the Closing Date; and

(e) Ancillary Agreements. Buyer will have received a fully executed copy of each Ancillary Agreement duly executed by Seller.

## ARTICLE VII

### CERTAIN TAX MATTERS

#### Section 7.1 Tax Covenants.

(a) Buyer covenants that it will not cause or permit the Company or the Company Subsidiaries or any affiliate of Buyer (i) to take any action on or after the Closing Date, including but not limited to the distribution of any dividend or the effectuation of any redemption that could give rise to any Tax liability or reduce any Tax asset of Seller or the Company or the Company Subsidiaries or give rise to any loss of Seller or the Company or the Company Subsidiaries under this Agreement or (ii) to make or change any Tax election, amend any Pre-Closing Tax Return or take any position on any Pre-Closing Tax Return, take any action, or omit to take any action with respect to a Pre-Closing Tax Period that results in the reduction in the tax basis of the Shares or in any increased Tax liability of the Seller or the Company or the Company Subsidiaries.

(b) Buyer shall cause the Company and the Company Subsidiaries to prepare or cause to be prepared and file or cause to be filed in a timely manner all Tax Returns for the Company and the Company Subsidiaries which are due after the Closing Date including Tax Returns for tax periods that begin before the Closing Date.

(c) All transfer, documentary, sales, use, stamp, registration and other such Taxes and fees (including any penalties and interest) incurred in connection with transactions contemplated by this Agreement (including any real property transfer Tax and any similar Tax) shall be borne by equally by Buyer and Seller. The party legally responsible under Applicable Law will file all necessary Tax Returns and other

documentation with respect to all such Taxes and fees, and, if required by Applicable Law, the other party will, and will cause its affiliates to, join in the execution of any such Tax Returns and other documentation.

Section 7.2 Cooperation on Tax Matters.

(a) Buyer and Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information (including access to books and records) and assistance relating to the Company and the Company Subsidiaries as is reasonably necessary for the filing of any Tax Return, for the preparation for any audit, and for the prosecution or defense of any claim, suit or proceeding relating to any proposed adjustment. Buyer and Seller agree to retain or cause to be retained all books and records pertinent to the Company and the Company Subsidiaries until the applicable period for assessment under applicable law (giving effect to any and all extensions or waivers) has expired, and to abide by or cause the abidance with all record retention agreements entered into with any Taxing authority. Buyer (both with respect to itself and with respect to the Company and the Company Subsidiaries) agrees to give Seller reasonable notice prior to transferring, discarding or destroying any such books and records relating to Tax matters and, if Seller so requests, the Company or the Company Subsidiaries shall allow Seller to take possession of such books and records in lieu of transferring, discarding or destroying any such books and records. Buyer and Seller shall cooperate with each other in the conduct of any audit or other proceedings involving the Company or the Company Subsidiaries for any Tax purposes and each shall execute and deliver such powers of attorney and other documents as are necessary to carry out the intent of this subsection.

(b) For all Tax purposes, Seller and Buyer agree that they will report the transactions contemplated by this Agreement in a manner consistent with the terms of this Agreement, and all parties agree to file their Tax Returns accordingly.

Section 7.3 Tax Sharing. Any and all existing Tax sharing agreements between the Company or the Company Subsidiaries on the one hand and Seller or of any Seller's Affiliates on the other hand, including as between the Company and the Company Subsidiaries, shall be terminated as of the Closing Date. After such date neither the Company, the Company Subsidiaries, the Seller or any Affiliate of the Seller shall have any further rights or liabilities thereunder.

## ARTICLE VIII

### TERMINATION

Section 8.1 Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned:

(a) by mutual written agreement of Seller and Buyer at any time;

(b) by Seller or Buyer, at any time after December 15, 2012 (the "Outside Date"), in the event that the transactions contemplated by this Agreement

shall not have been consummated on or prior to the Outside Date; provided, however, that (i) if the sole reason that the Closing has not occurred is that one or more of the Principal Approvals have not been obtained on or prior to the Outside Date, the Outside Date may be extended until three months after the Outside Date (the "Extended Outside Date") by either party upon written notice to the other, such notice to be provided no later than the Outside Date and (ii) if the sole reason that the Closing has not occurred is that one or more of the Principal Approvals have not been obtained on or prior to the Extended Outside Date, the Extended Outside Date may be extended until three months after the Extended Outside Date by Seller upon written notice to the Buyer, such notice to be provided no later than the Extended Outside Date. Notwithstanding the foregoing, the extension of the Outside Date may not be made by a Party if the failure to receive one or more of the Principal Approvals is due to that Party's failure to promptly file the relevant applications for such Principal Approvals and take further necessary actions in accordance with Section 5.7(b) above following the signing of this Agreement.

(c) by Seller or Buyer, at any time after any non-appealable final judgment, order, injunction or decree of any court of competent jurisdiction enjoining consummation of the transactions contemplated by this Agreement shall have been entered or issued;

(d) by Seller, if there has been a material breach of any representation, warranty, agreement or covenant of Buyer, which breach shall have not been cured within twenty (20) days after written notice thereof from Seller, provided that any such material breach shall have rendered the conditions set forth in Section 6.2 incapable of fulfillment on or before the Outside Date; or

(e) by Buyer, if there has been a material breach of any representation, warranty, agreement or covenant of Seller, which breach shall have not been cured within twenty (20) days after written notice thereof from Buyer, provided that any such material breach shall have rendered the conditions set forth in Section 6.3 incapable of fulfillment on or before the Outside Date.

Notwithstanding any other provision in this Section 8.1, the right to terminate this Agreement under this Section 8.1, shall not be available to any party (i) that breached its obligations or failed to comply with its covenants under this Agreement, or (ii) whose failure to fulfill its obligations or to comply with its covenants under this Agreement caused or resulted in the failure of another party to satisfy any condition to the obligations of the party seeking to terminate this Agreement under this Section 8.1.

Section 8.2 Procedure and Effect of Termination. In the event of the termination of this Agreement and the abandonment of the transactions contemplated hereby pursuant to Section 8.1 written notice thereof shall forthwith be given by the party so terminating to the other party and this Agreement shall terminate and become void and the transactions contemplated hereby shall be abandoned, without further action by Seller or Buyer except that the obligations provided for in Article I, Section 8.2, Article X, the confidentiality provision contained in Section 5.5, and the Confidentiality Agreement shall survive any such termination. If this Agreement is terminated pursuant to Section 8.1:

(a) each party shall return all documents, work papers and other materials of the other party relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to the party furnishing the same, and all confidential information received by either party hereto with respect to the other party shall be treated in accordance with Section 5.5 and the Confidentiality Agreement;

(b) all filings, applications and other submissions made pursuant to this Agreement shall, to the extent practicable, be withdrawn from the agency or other person to which made; and

(c) there shall be no liability or obligation hereunder on the part of Seller or Buyer or any of their respective shareholders, directors, officers, employees or affiliates; provided, however, that (a) the rights and obligations of the parties under Section 5.5 (Confidentiality), this Section 8.2 (Effect of Termination), Article I (Definitions) and Article X (Miscellaneous) will survive termination of this Agreement and (b) in the event the termination was effected under Section 8.1(e), nothing herein will relieve any party in breach from liability in connection with any breach of such party's representations, warranties, covenants or agreements herein (subject to the terms of Article IX).

## ARTICLE IX

### **SURVIVAL OF REPRESENTATIONS; INDEMNIFICATION**

Section 9.1 Survival of Representations and Warranties. The representations and warranties of the Seller contained in this Agreement shall survive the Closing and shall continue in full force and effect until 15 months (other than indemnifications with respect to taxes which will be five years) following the Closing Date, after which time such representations and warranties shall terminate and be of no further force or effect, except that the representations and warranties contained in Section 3.1(b) (Due Organization; Good Standing), Section 3.2 (Capitalization), and Section 3.4 (Authority; Binding Agreement), (collectively, the "Fundamental Representations") shall survive until three years the following the Closing Date. The period during which any such representation and warranty survives, as applicable, is the "Survival Period" for such representation and warranty. Notwithstanding the foregoing, any representation or warranty that would otherwise terminate shall survive with respect to Losses in respect of which a detailed notice is given pursuant to this Agreement prior to the end of the applicable Survival Period, until such Losses are finally resolved and paid.

Nothing in this Section 9 shall limit any covenant or agreement of the parties in this Agreement to the extent that such covenant or agreement contemplates or requires performance after the Closing.

Section 9.2 Seller's Agreement to Indemnify. Subject to the terms and conditions set forth in this Article IX, from and after the Closing, Seller shall indemnify and hold harmless Buyer and its successors and assigns (collectively, the "Buyer Indemnified Parties") from and against all Losses incurred by any Buyer Indemnified Party as a result of or arising out of (i) any breach of any representation or warranty contained in Article III and (ii) any breach of

any covenant or agreement of Seller in this Agreement or any covenant or agreement to be performed by the Company or any Company Subsidiary prior to the Closing of this Agreement.

Section 9.3 Buyer's Agreement to Indemnify. Subject to the terms and conditions set forth in this Article IX, from and after the Closing, Buyer shall indemnify and hold harmless Seller and its successors and assigns (collectively, the "Seller Indemnified Parties") from and against all Losses incurred by any Seller Indemnified Party as a result of or arising out of (i) any breach of any representation or warranty contained in Article IV and (ii) any breach of any covenant or agreement of Buyer in this Agreement or any covenant or agreement of the Company in this Agreement to be performed post-Closing.

Section 9.4 Limitation on Liability of Seller. The parties hereto hereby acknowledge and agree that with regard to the Seller's agreement to indemnify under Section 9.2, except in the case of fraud, (i) no Loss with a value under one hundred thousand dollars (\$100,000) (the "De Minimis Threshold") resulting from any inaccuracy in or breach of any representation or warranty contained in Article III of this Agreement shall be indemnified; (ii) Losses resulting from one or more breaches of any representations or warranties contained in Article III of this Agreement shall be indemnified only if and to the extent that the aggregate amount of such Losses subject to indemnification exceeds 2.0% of the Purchase Price, at which point indemnification shall be available pursuant to this Article IX for all such Losses (i.e., Losses in excess of 2.0% of the Purchase Price) that are in excess of the De Minimis Threshold; (iii) the maximal indemnification amount for Losses resulting from a breach of Seller's representations and warranties contained in Article III of in this Agreement shall not exceed 15% of the Purchase Price and the maximal indemnification amount for Losses resulting from a breach of Seller's covenant and agreements contained in this Agreement shall not exceed 100% of the Purchase Price; (iv) indemnification under this Article IX shall be the exclusive remedy of a Buyer Indemnified Party after Closing for a breach of the representations, warranties, covenants and agreements in this Agreement and the Ancillary Agreements and no Buyer Indemnified Party shall be entitled to any further remedies of any nature whatsoever in respect thereof under Applicable Law or otherwise, all of which Buyer (on behalf of the Buyer Indemnified Parties) hereby waives; (v) all claims for indemnification must be initiated before the expiry of the applicable Survival Period of such representations as set forth above or twelve months following the Closing Date with regard to any covenants or agreements hereunder; and (vi) Seller shall not be liable for indemnification under this Article IX for any Losses based upon or arising out of any breach of any of the representations or warranties of Seller in this Agreement, if Buyer had or would reasonably be expected to have prior to the date of this Agreement, knowledge of an event, fact or circumstance that constitutes or would reasonably be expected to give rise to such breach. A Buyer Indemnified Party shall be entitled to indemnification as provided in this Article IX only to the extent that the Loss suffered or incurred by it did not arise as a result of any breach or violation of, any representation, warranty or covenant in this Agreement by such Buyer Indemnified Party or any of its respective affiliates, or their respective employees, representatives or agents. For the avoidance of doubt, no indemnity or reimbursement shall be provided for adverse development in the loss or LAE reserves. Limitations set forth in the Confidentiality Agreement, specifically Section 12 therein, shall not limit any rights of indemnification set forth in this Article IX.

Section 9.5 Limitation on Liability of Buyer. The parties hereto hereby acknowledge and agree that with regard to the Buyer's agreement to indemnify under Section 9.2, except in the case of fraud, (i) no Loss with a value under one hundred thousand dollars (\$100,000)] (the "De Minimis Threshold") resulting from any inaccuracy in or breach of any representation or warranty contained in Article IV of this Agreement shall be indemnified; (ii) Losses resulting from any inaccuracy in or breach of any representation or warranty contained in Article IV of this Agreement shall be indemnified only if and to the extent that the aggregate amount of such Losses subject to indemnification exceeds 2.0% of the Purchase Price, at which point indemnification shall be available pursuant to this Article IX for all such Losses (i.e., Losses in excess of 2.0% of the Purchase Price) that are in excess of the De Minimis Threshold; (iii) the maximal indemnification amount for Losses resulting from a breach of Buyer's representations and warranties contained in Article IV of this Agreement shall not exceed 15% of the Purchase Price and the maximal indemnification amount for Losses resulting from a breach of Buyer's covenant and agreements contained in this Agreement shall not exceed 100% of the Purchase Price; (iv) indemnification under this Article IX shall be the exclusive remedy of a Seller Indemnified Party after Closing for a breach of the representations, warranties, covenants and agreements in this Agreement and the Ancillary Agreements and no Seller Indemnified Party shall be entitled to any further remedies of any nature whatsoever in respect thereof under Applicable Law or otherwise, all of which Seller (on behalf of the Seller Indemnified Parties) hereby waives other than as set forth in Section 10.13 (Specific Performance); (v) all claims for indemnification must be initiated before the expiry of three years following the Closing Date or twelve months following the Closing Date with regard to any covenants or agreements hereunder; and (vi) Buyer shall not be liable for indemnification under this Section 9.5 for any Losses based upon or arising out of any breach of any of the representations or warranties of Buyer in this Agreement, if Seller had or would reasonably be expected to have prior to the date of this Agreement, knowledge of an event, fact or circumstance that constitutes or would reasonably be expected to give rise to such breach. A Seller Indemnified Party shall be entitled to indemnification as provided in this Article IX only to the extent that the Loss suffered or incurred by it did not arise as a result of any breach or violation of, any representation, warranty or covenant in this Agreement by such Seller Indemnified Party or any of its respective Affiliates, or their respective employees, representatives or agents. Limitations set forth in the Confidentiality Agreement, specifically Section 12 therein, shall not limit any rights of indemnification set forth in this Article IX.

Section 9.6 Calculation of Losses; Notice and Opportunity to Defend.

(a) Notice and Opportunity to Defend. Subject to the terms and conditions set forth in this Article IX, if there occurs an event which any party hereto (or any Buyer Indemnified Party or any Seller Indemnified Party) asserts is an indemnifiable event pursuant to this Article IX, the Person or Persons seeking indemnification (collectively, the "Indemnitee") shall assert such claim by written notice given by the Indemnitee to the party from whom such indemnification is sought (the "Indemnifying Party"). The failure by any Indemnitee so to notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to such Indemnitee under this Agreement, except to the extent that the Indemnifying Party shall have demonstrated that it has been actually prejudiced as a result of

such failure or the claim was first asserted after the applicable claims period. The Indemnifying Party shall not be liable for any expenses incurred by Indemnitee prior to Indemnitee providing notice or without the consent of the Indemnifying Party. The Indemnifying Party shall advise the Indemnitee following its receipt of such notice whether the Indemnifying Party accepts or disputes its liability to the Indemnitee under this Agreement. If the Indemnifying Party disputes its liability with respect to such Losses subject to such claim, the Indemnifying Party and the Indemnitee will proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations within thirty (30) days after notice of such claim was given to the Indemnifying Party, the Indemnifying Party and the Indemnitee will be free to pursue such remedies as may be available under this Agreement.

(b) Mitigation and Insurance. Each Indemnitee shall use commercially reasonable efforts to mitigate any Loss for which such Indemnitee seeks indemnification under this Agreement and to seek recoveries of such amounts under applicable insurance policies. Any insurance recoveries received by an Indemnitee prior to receipt of indemnification and any Tax benefits created for the Indemnitee shall reduce the Loss suffered by such Indemnitee by the amount of such recovery or Tax benefit. If an Indemnified Party mitigates its loss or receives any insurance recoveries or has any Tax benefit after the Indemnifying Party has paid the Indemnified Party under any indemnification provision of this Agreement in respect of that Loss, the Indemnified Party shall notify the Indemnifying Party and pay to the Indemnifying Party the extent of the value of the benefit to the Indemnified Party of that mitigation or recovery or Tax benefit (less the Indemnified Party's reasonable out-of-pocket costs of mitigation or recovery or Tax benefit) within ten (10) Business Days after such benefit or recovery or Tax benefit is received.

(c) Third Party Claims. The obligations of Seller to indemnify the Buyer Indemnified Parties under Section 9.2 and Buyer to indemnify Seller Indemnified Parties under Section 9.3 with respect to Losses resulting from the assertion of liability by third parties (a "Third Party Claim"), are subject to the following terms and conditions (without derogating from the other conditions and limitations in this Article IX):

i. Any party against whom any Third Party Claim (the "Indemnified Party") is asserted shall deliver a written notification (a "Claim Notice") to the Indemnifying Party promptly (but in no event later than 20 days of the Indemnified Party's receipt of such notice) after learning of such Third Party Claim. The notice shall describe the claim, the amount thereof if known and quantifiable, and the basis therefor. Failure to give prompt notice of a Third Party Claim hereunder shall not affect the Indemnifying Party's obligations under this Section 9.6(c), except to the extent that the Indemnifying Party is actually prejudiced by such failure. The Indemnifying Party shall not be liable for any expenses incurred by Indemnitee prior to Indemnitee providing notice or without the consent of the Indemnifying Party.

ii. Upon receipt of notice of any such Third Party Claim, the Indemnifying Party may, at its option, elect to undertake, conduct and control, through counsel of its own choosing (provided that such counsel shall be reasonably satisfactory to the Indemnified Party, and the Indemnified Party may participate in such defense at such



Indemnified Party's expense) and at its own expense for the settlement or defense thereof by sending written notice to the Indemnified Party of its election to do so within 30 days of receiving the Claims Notice from the Indemnified Party. The Indemnified Party agrees to cooperate fully with the Indemnifying Party and its counsel in the defense against any such asserted claim.

iii. Any settlement or compromise of such asserted claim by the Indemnifying Party shall require the prior written consent of the Indemnified Party, which consent shall not be unreasonably withheld, conditioned or delayed, provided that no such consent shall be required as long as it is solely a monetary settlement (that will be paid by the Indemnifying Party in its entirety) that does not contain an admission of liability on the part of the Indemnified Party.

iv. The Indemnified Party may, at the Indemnifying Party's expense, take any actions reasonably necessary to defend such Third Party Claim from a reasonable time after tendering notice of the Third Party Claim until the time that it receives notice from the Indemnifying Party as contemplated by subclause (ii) above. If the Indemnifying Party does not assume the defense of such Third Party Claim within 30 days following notice thereof, the Indemnified Party shall be entitled to assume and control such defense; provided that, the Indemnified Party shall not, without the prior written consent of the Indemnifying Party (which shall not be unreasonably withheld, conditioned or delayed), consent to a settlement, compromise or discharge of, or the entry of a judgment arising from, such Third Party Claim.

v. Notwithstanding the foregoing, the Indemnified Party shall have the right to employ separate counsel (reasonably acceptable to the Indemnifying Party) at the Indemnified Party's expense if the named parties to any such proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party, and the Indemnified Party shall have been advised by counsel that a conflict of interest is likely to exist if the same counsel were to represent the Indemnified Party and the Indemnifying Party.

Section 9.7 Adjustment to Purchase Price. Buyer and Seller agree to treat any indemnity payment made pursuant to this Article IX as an adjustment to the Purchase Price for United States federal, state, local and foreign income tax purposes, except as otherwise required by Applicable Law.

Section 9.8 No Rescission. After the Closing no party may seek the rescission of the transactions contemplated by this Agreement except for fraud.

## ARTICLE X

### MISCELLANEOUS

Section 10.1 Fees, Taxes and Expenses. Whether or not the transactions contemplated by this Agreement are consummated pursuant hereto, except as otherwise provided herein, each of Seller and Buyer shall pay all taxes, fees and expenses incurred by, or on behalf of, such party in connection with, or in anticipation of, this Agreement and the consummation of the transactions contemplated hereby. Seller shall pay all fees and expenses incurred by, or on

behalf of, the Company or any of the Company Subsidiaries in connection with, or in anticipation of, this Agreement and the consummation of the transactions contemplated hereby. For the avoidance of doubt, except as otherwise set forth in this Agreement, each party shall bear and pay any and all Taxes and/or other payments required by law, for any taxable amount received pursuant to the terms of this Agreement.

Section 10.2 Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, by facsimile, or by courier:

If to Seller, to:

Clal Insurance Enterprises Holdings Ltd.  
48 Menachem Begin St.  
Building C  
Tel Aviv 66180  
Israel  
Facsimile: +972-3-639-7090  
Attention: Moshe Ernst, Adv., General Counsel

and an additional copy to (which shall not constitute notice):

Fischer Behar Chen Well Orion & Co.  
3 Daniel Frisch St.  
Tel Aviv 64731  
Israel  
Facsimile: +972-3-609-1116  
Attention: Ron Lehmann, Adv.

If to Buyer, to:

National Indemnity Company  
100 First Stamford Place  
  
Stamford, CT 06902  
Facsimile: (203) 363 5221  
Attention: General Counsel

and an additional copy to (which shall not constitute notice):

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National Indemnity Company  
3024 Harney Street  
  
Omaha, NE 68114  
Facsimile: (402) 916 3237  
Attention: President

or to such other person or address as any party shall specify by notice in writing to the other party on fifteen days advance notice. All such notices, requests, demands, waivers and communications shall be deemed to have been received on the date on which so hand-delivered or telecopied, on the next Business Day following the date on which so delivered by courier.

Section 10.3 Entire Agreement. This Agreement and the exhibits, schedules and other documents referred to herein or delivered pursuant hereto, which form a part hereof (including, without limitation, the Confidentiality Agreement) contain the entire understanding of the parties hereto with respect to their subject matter. Except as set forth in the preceding sentence, this Agreement supersedes all prior agreements and understandings, oral and written, with respect to subject matter hereof or thereof.

Section 10.4 Binding Effect; Assignment. This Agreement and all of the provisions hereof shall be binding upon and shall inure to the benefit of Seller and Buyer and their respective successors and permitted assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, directly or indirectly, by either Seller or Buyer without the prior written consent of the other party. Any purported assignment in breach of this Section 10.4 shall be null and void.

Section 10.5 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, such provision shall be interpreted to be only so broad as is enforceable.

Section 10.6 No Third Party Beneficiaries. This Agreement is solely for the benefit of Seller and its respective successors and permitted assigns, with respect to the obligations of Buyer under this Agreement, and for the benefit of Buyer and its successors and permitted assigns, with respect to the obligations of Seller under this Agreement, and this Agreement shall not be deemed to confer upon or give to any other third party any remedy, claim, liability, reimbursement, cause of action or other right.

Section 10.7 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which collectively shall constitute one and the same instrument.

Section 10.8 Article and Section Headings. The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties and shall not in any way affect the meaning or interpretation of this Agreement.

Section 10.9 Governing Law. This Agreement and all claims arising out of or relating to this Agreement and the transactions contemplated hereby shall be governed by the laws of the State of New York (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies.

Section 10.10 Consent To Jurisdiction. THE PARTIES HERETO AGREE THAT VENUE IN ANY AND ALL ACTIONS AND PROCEEDINGS RELATED TO THE SUBJECT MATTER OF THIS AGREEMENT SHALL BE IN THE STATE AND FEDERAL COURTS IN NEW YORK, NEW YORK, WHICH COURTS SHALL HAVE EXCLUSIVE JURISDICTION FOR SUCH PURPOSE, AND THE PARTIES HERETO IRREVOCABLY SUBMIT TO THE EXCLUSIVE JURISDICTION OF SUCH COURTS AND IRREVOCABLY WAIVE THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING. SERVICE OF PROCESS MAY BE MADE IN ANY MANNER RECOGNIZED BY SUCH COURTS. NOTHING IN THIS AGREEMENT SHALL LIMIT THE RIGHT OF ANY PERSON, INCLUDING ANY PARTY, FROM REMOVING ANY ACTION OR PROCEEDINGS TO A UNITED STATES DISTRICT COURT.

Section 10.11 Waiver Of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 10.12 Amendment, Modification. This Agreement may be amended, modified or supplemented at any time by written agreement of Seller and Buyer.

Section 10.13 Specific Performance. The parties acknowledge and agree that any breach of the terms of this Agreement would give rise to irreparable harm for which money damages would not be an adequate remedy and accordingly the parties agree that, in addition to any other remedies, each shall be entitled to an injunction or injunctions to prevent breaches of this agreement and to enforce the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy.

Section 10.14 Disclosure Schedule. Disclosure of any matter, fact or circumstance in a Section of the Disclosure Schedule shall be deemed to be disclosure thereof for purposes of any other Sections of the Disclosure Schedule. Certain agreements and other matters are listed in the Disclosure Schedule and exhibits for informational purposes only, notwithstanding the fact that, because they do not rise above applicable materiality thresholds or otherwise, they are not required to be listed therein by the terms of this Agreement. In no event shall the listing of such agreements or other matters in the Disclosure Schedule or exhibits be deemed or interpreted to broaden or otherwise amplify any representations and warranties, covenants or agreements contained in this Agreement. The headings contained in the Disclosure Schedule and exhibits are for convenience of reference only and shall not be deemed to modify or influence the interpretation of the information contained in the Disclosure Schedule, such exhibits or this Agreement. Furthermore, the disclosure of a particular item of information in the Disclosure Schedule or any exhibit thereto shall not be taken as an admission by the Company, the Company's Subsidiaries, or Seller, that such disclosure is required to be made under the terms of any of such representations and warranties. The specification of any dollar amount in the representations or warranties contained in this Agreement or the inclusion of any specific item in any Section of the Disclosure Schedule or any exhibits thereto is not intended to imply that such amounts, or higher or lower amounts or the items so included or other items, are or are not material, and no party hereto shall use the fact of the setting of such amounts or the inclusion

of any such item in any dispute or controversy as to whether any obligation, items or matter not described herein or included in a Section of the Disclosure Schedule or any exhibit is or is not material for purposes of this Agreement. The Disclosure Schedule shall be subject to revision through the period between the date hereof and the Closing Date with respect to matters occurring after the date hereof.

Section 10.15 No Waiver. No failure or delay on the part of any party hereto in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty, covenant or agreement herein, nor will any single or partial exercise of any such right preclude any other or further exercise thereof or of any other right. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar), or shall constitute a continuing waiver unless otherwise expressly provided. No waiver of any right or remedy hereunder shall be valid unless the same shall be in writing and signed by the party against whom such waiver is intended to be effective.

Section 10.16 Negotiation of Agreement. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the duly authorized officers of the parties hereto as of the date first above written.

CLAL INSURANCE ENTERPRISES HOLDINGS LTD.

By: *[Signature]*  
Name: Shy/Talmon  
Title: CEO

By: *[Signature]*  
Name: Ronit Zelman-Malach  
Title: CFO

NATIONAL INDEMNITY COMPANY

By: *[Signature]*  
Name: *Forest N. Katter*  
Title: *Senior Vice President*

