

This is an English convenience translation of the original Hebrew version. In case of any discrepancy, the binding version is the Hebrew original.

Israel Corporation Ltd.

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Millennium Tower, 23 Aranha Street, P.O.B. 20456, Tel-Aviv 61204

Tel: 03-6844517, Fax: 03-6844587

Adv. Maya Alcheh Kaplan

General Counsel (In house) and Company Secretary

August 25, 2011

TO:

THE SECURITIES AUTHORITY
THROUGH THE MAGNA SYSTEM

THE TEL AVIV STOCK EXCHANGE LTD.
THROUGH THE MAGNA SYSTEM

Dear Sir/Madam,

Re: **Immediate Report – Renewal of Insurance of Officers**

Further to the immediate reports dated August 2, 2007 (reference no. 2007-01-345580) (hereinafter: the "**Original Report**"), dated September 25, 2008 (reference no. 2008-01-270852), dated March 24, 2010 (reference no. 2010-01-428760) and dated August 30, 2010 (reference no. 2010-01-605556), the Company wishes to report, in accordance with the Companies Regulations (Easements in Transactions with an Interested Party), 5760 – 2000 (hereinafter: the "**Easements Regulations**") and with the Securities Law Regulations (Periodic and Immediate Reports), 5730 – 1970, the following:

1. On September 10, 2007, the general meeting of the Company approved a "framework resolution"¹, which allows, over a period of five years commencing from the 2007 insurance year, the renewal of the purchase of the insurance for officers, as stated in the Original Report, from any insurance company in Israel and/or overseas as shall be chosen by the Board of Directors of the Company, provided that the Audit Committee and the Board of Directors of the Company shall approve, with regard to any renewal of insurance, that the terms of the purchase of the policies are consistent with the terms of the framework transaction and also with the rate of the distribution of the premium between the ICL Group and the Company's Group with regard to the joint layer (as stated in the Original Report), however, the Audit Committee and the Board of Directors of the Company shall have the authority to approve changes, from time to time, in connection with the rate of the distribution of the premium between the Company's Group and the ICL Group with regard to the joint layer, provided that the rate of the change shall not be in excess of 10% of the

¹ As construed in Regulation 1 (3) of the Companies Regulations (Interested Party Transactions), 5760 – 2000.

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distribution described above, and in addition, the Audit Committee and the Board of Directors of the Company shall have the authority to change, from time to time, the coverage or the ratio between the insurance layers, subject to the condition whereby if in the insurance years subsequent to the date of the resolution, the insurance premium which the Company is required to pay shall go up, then the following rules shall apply: the annual premium which shall be paid by the Company in respect of the insurance year shall not exceed the amount of the premium by more than 15% for each year, and in any event, it shall not exceed 150% of the maximum premium (that is to say, it shall not exceed US\$ 525,000) (hereinafter: the "**Framework Resolution**").

For details regarding the Framework Resolution, see the Original Report and also the Company's immediate report dated September 11, 2007 (reference no. 2007-01-391321), which are presented herein by way of reference. In addition, see the immediate reports regarding the renewal of the insurance period, dated September 25, 2008 (reference no. 2008-01-270852), dated March 24, 2010 (reference no. 2010-01-428760) and dated August 30, 2010 (reference no. 2010-01-605556), which are presented herein by way of reference.

2. On August 30, 2011, the current period of the policy for the officers of the Company shall come to an end. The current policy includes a first joint layer with the ICL Group for the coverage of claims up to US\$ 20 million, and a separate second layer for the coverage of an additional US\$ 120 million.
3. On August 21, 2011 and August 24, 2011, the Audit Committee and the Board of Directors of the Company approved (respectively) the renewal of the purchase of the insurance policy for the officers of the Company, which includes a first joint layer with the ICL Group for the coverage of claims up to US\$ 20 million, and a separate second layer for the coverage of an additional US\$ 120 million. In addition, the Audit Committee and the Board of Directors of the Company approved that the terms of the purchase/ renewal of the policies are consistent with the terms of the Framework Resolution and also with the rate of the distribution of the premium between the ICL Group and the Company's Group with regard to the joint layer (as stated in the Original Report).

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4. The policy was renewed, *inter alia*, based on the parameters and the reasons as set forth in the Original Report, and also taking into consideration the fact that the new terms of the policy are consistent with the terms of the Framework Resolution and that they are on reasonable terms, in light of the Company's activities and in light of standard industry practice, and also taking into consideration the fact that the grant of insurance coverage to the officers is for the Company's benefit, because it allows the officers of the Company to perform their positions properly, taking into consideration the risks entailed and the responsibility imposed thereon. The renewal of the purchase of the insurance policy was implemented in accordance with the provisions of the Easements Regulations, taking into consideration the fact that the terms of the insurance are identical with regard to all of the directors of the Company, and also taking into consideration the fact that the terms of the insurance are consistent with the terms of the Framework Resolution, and *inter alia*, it was implemented upon terms which are similar to the terms of the previous insurance policy, and for a similar premium cost, and without changing the distribution of the premium between the ICL Group and the Company's Group as compared to that determined in the report regarding the Framework Resolution.

5. In accordance with Regulation 1c of the Easements Regulations: (a) the easement pursuant to Regulation 1 of the Easements Regulations shall not apply to the Company if one or more shareholders who holds at least 1% of the issued capital or of the voting rights of the Company gave notice of his objection to the grant of such easement, provided that the objection was submitted to the Company in writing, not later than 14 days from the date on which this report was submitted or from the date on which a report was submitted to amend this report, should such report be submitted; (b) in the event that an objection is submitted as stated in sub-section (a) above, the aforesaid engagement shall be subject to approval in accordance with that set forth in section 273 or 275 of the Companies Law, 5759 – 1999, as the case may be.

Sincerely yours,

Israel Corporation Ltd.