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AUDIT WIRTSCHAFTS - TREUHAND GMBH

THE INTERNATIONAL COMMISSION  
ON HOLOCAUST ERA INSURANCE CLAIMS

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 2001

WITH INDEPENDENT AUDITORS' REPORT



AWT  
AUDIT WIRTSCHAFTS-TREUHAND GMBH  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT  
STUTT GART • BAMBERG • MÜNCHEN • BERLIN

Finance and Administration  
Advisory Committee

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated balance sheet of The International Commission on Holocaust Era Insurance Claims as of December 31, 2001 and the related statement of income and retained results. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of The International Commission on Holocaust Era Insurance Claims as of December 31, 2001 and the results of its operations in conformity with generally accepted accounting principles.

AWT  
AUDIT WIRTSCHAFTS - TREUHAND GMBH  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

  
Brauner  
Wirtschaftsprüfer

  
Auber  
Wirtschaftsprüfer

May 3, 2002

THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA INSURANCE CLAIMS  
CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2001  
(Prior year for comparison)

<b>ASSETS</b>	<u>2001 Notes</u>	<u>2001 US \$'000</u>	<u>2000 US \$'000</u>
<b>Fixed Assets</b>			
Furnitures, fittings etc.		26	32
Office equipment		<u>72</u>	<u>109</u>
<b>Total Fixed Assets</b>	<b>1</b>	<b><u>98</u></b>	<b><u>141</u></b>
<b>Current Assets</b>			
Prepayments		30	0
Receivables	3	2.294	21
Deposits		0	1
Current accounts & cash	4	<u>14.743</u>	<u>7.437</u>
<b>Total Current Assets</b>		<b><u>17.067</u></b>	<b><u>7.459</u></b>
<b>Current Liabilities</b>			
Advances from members	5	2.351	554
Creditors and accruals		1.421	2.074
Generali Trust	6	<u>10.000</u>	<u>0</u>
<b>Total Current Liabilities</b>		<b><u>13.772</u></b>	<b><u>2.628</u></b>
<b>Net Current Assets</b>		<b><u>3.295</u></b>	<b><u>4.831</u></b>
<b>Total Assets less Current Liabilities</b>		<b><u>3.393</u></b>	<b><u>4.972</u></b>
<b>Represented by Equity</b>			
Capital contributions	7	44.661	34.405
Retainend results		(29.433)	(9.032)
Loss for the period		<u>(11.835)</u>	<u>(20.401)</u>
<b>Net Equity</b>		<b><u>3.393</u></b>	<b><u>4.972</u></b>

THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA INSURANCE CLAIMS

CONSOLIDATED STATEMENT OF INCOME AND RETAINED RESULTS

JANUARY 1, 2001 TO DECEMBER 31, 2001

(Prior year for comparison)

	<u>2001</u> <u>Notes</u>	<u>2001</u> <u>US \$'000</u>	<u>2000</u> <u>US \$'000</u>
<b>Income</b>			
Interest income		2.301	278
<b>Total income</b>		<u>2.301</u>	<u>278</u>
<b>Expense</b>	8		
Outreach	9	(26)	(4.459)
Claims	10	(8.410)	(10.398)
Appeals	11	(176)	(137)
Research	12	(721)	(861)
Audit	13	(273)	(608)
Commission	14	(1.734)	(2.138)
General and administration	15	<u>(2.721)</u>	<u>(1.952)</u>
<b>Total divisional expense</b>		<b>(14.061)</b>	<b>(20.553)</b>
Depreciation	1	(65)	(59)
Foreign exchange losses	16	<u>(10)</u>	<u>(67)</u>
<b>Total expense</b>		<u>(14.136)</u>	<u>(20.679)</u>
<b>Loss for the period</b>		<u>(11.835)</u>	<u>(20.401)</u>

## **The International Commission on Holocaust Era Insurance Claims ("ICHEIC")**

### **Notes to Accounts for the year ended December 31, 2001**

#### **1. Accounting Policies**

The ICHEIC is funded by capital contributions and has no income other than interest on deposits and bank accounts, and annual dues of a nominal amount, which are recognized when due. This represents a change from the previous year when income was recognized when received. The effect of this change is not material as between the results for 2000 and 2001. No policy as to the recognition of trading income is required.

Costs and expenses have been recognized as incurred.

Fixed assets are fully depreciated on a straight line basis over their expected useful working lives which are 6 years for furniture, fittings, etc. and 4 years for office equipment.

The accounts consolidate the results of the ICHEIC with those of its wholly owned subsidiary, International Commission on Holocaust Era Insurance Claims, LLC which is incorporated in Delaware and serves as a vehicle for transactions involving the Washington office.

The member companies of the ICHEIC have contributed funds to a special purpose trust in Bermuda which is under the control of the ICHEIC and its Chairman. Under the trust deed, the Chairman of the ICHEIC is designated the Protector of the trust in his personal capacity. An independent professional trustee holds the assets on behalf of the trust. The assets have not been consolidated with those of the ICHEIC. The purpose of the trust is to assist in the resolution of insurance claims through the ICHEIC, including humanitarian payments and the payment of related administrative expenses. Any residual monies are to be distributed to Holocaust-related charities as approved by the Protector. The contributions to the trust were made in 1999 and amounted to \$30 million. Income is accumulated. In September 2001, \$5 million was transferred to the ICHEIC and has been included under capital contributions. As at December 31, 2001 the trust's funds amounted to \$29.1 million.

#### **2. Generali Deposit**

Assicurazioni Generali S.p.A. ("Generali") is a member of ICHEIC and has established the Generali Fund in Memory of the Generali Insured in East and Central Europe Who Perished in the Holocaust ("the Generali Trust") which the ICHEIC has appointed to handle claims against Generali. The ICHEIC is committed to contributing towards the overhead costs of the Generali Trust currently at a level of \$1.15 million annually subject to semi-annual review.

Generali has entrusted to the ICHEIC a sum initially of \$100 million to be used for the payment of claims on Holocaust era insurance policies and humanitarian purposes ("the Generali Deposit"). The ICHEIC disburses funds from this deposit to the Generali Trust to meet offers made to claimants. The capital sum of the Generali Deposit is not available to the ICHEIC and has therefore not been included in the ICHEIC's balance sheet: a separate Receipts and Payments account is attached as an annex. The ICHEIC is, however, entitled to the interest on the deposit from the date when Generali's conditions for transferring the deposit were met; this amounted to \$2.067 million and has been included in the ICHEIC's interest income. The interest also appears, with the transfer to the ICHEIC, in the Receipts and Payments account for the Generali deposit.

### **3. Receivables**

Receivables represents costs of auditing member companies' compliance with the ICHEIC's five standards pertaining to the handling of claims. During most of 2000 these costs were all reimbursable by the insurance companies. However, towards the end of that year, the structure of the audit process was changed whereby the ICHEIC engaged firms to carry out peer reviews of audits carried out by firms engaged by the insurers. The ICHEIC may not ultimately bear all or part of these costs. A decision on their accounting treatment cannot be taken with certainty until various negotiations have been concluded, so the audit costs have been shown as receivables rather than charged as an expense. In the meantime, the insurers have funded the peer review audit costs by advances to the ICHEIC – see also Note 5.

### **4. Current Accounts and Cash**

In 2001, this included the sum of \$10 million which had been drawn from the Generali Deposit prior to transfer to the Generali Trust (see Note 2) for the payment of claims. The corresponding liability is shown separately under Current Liabilities.

### **5. Advances from Members**

These are advances from insurance company members made to fund the cost of the peer review audits (see also note 3).

### **6. Generali Trust**

The sum of \$10 million in 2001 had been drawn from the Generali Deposit prior to being transferred to the Generali Trust (see Notes 2 & 4). Half of this sum was paid to the Generali Trust on February 6, 2002 and half is likely to be paid during May, 2002.

### **7. Capital Contributions**

Capital Contributions is the aggregate of capital contributions made to fund the ICHEIC by its members and related parties.

**Expense headings**

8. The ICHEIC's costs have been allocated to the expense categories described below. These categories include the costs of personnel, and their directly related expenses, at ICHEIC's offices where such individuals spend a large majority of their time on the relevant activity.
9. **Outreach** is the cost of advertising, presentations and publicity campaigns in more than 40 countries to alert potential claimants to the opportunity made available by the ICHEIC.
10. **Claims** is the cost of processing incoming claims and includes the costs of the outsourced claims processing service provider, translations, and the toll-free telephone help lines.
11. **Appeals** is the cost of providing an appeal service to claimants whereby claimants have an opportunity to appeal against decisions made by the insurers in response to their claims.
12. **Research** is the cost of research in public archives and review and publication of names of policyholders of potentially unpaid insurance policies purchased between 1920 and 1945. Costs of review and publication of similar lists of names provided by the company members is included under this heading.
13. **Audit** is the cost of auditing member companies' compliance with the ICHEIC's standards, excluding audit fees which for the time being have been treated as receivables. (See also Note 3.)
14. **Commission** includes ICHEIC members' expenses, mostly for travel and accommodation (not all members claim for reimbursement), the cost of Commission meetings and the salaries of the Chairman, Vice Chairman and Chief of Staff.
15. **General and Administration** includes the costs of the ICHEIC's operations including personnel (except those dedicated to specified cost centres), accommodation, accounting and audit, unallocated communications and other office expenses.
16. **Foreign exchange losses** are the cumulative impact of different exchange rates applicable to opening and closing sterling bank balances and asset accounts, to sterling transactions during the year translated into US dollars and to fund transfers. Some losses are realized, others are not.

**The Generali Deposit**

*(See Note 2 to the ICHEIC financial statements)*

**Receipts and Payments for the period May 9, to December 31, 2001**

	<u>Receipts</u> <u>US \$'000</u>
<b>Initial sum provided by Generali</b>	100.000
<i>Less:</i> Sums paid to the Generali Trust, or directly to claimants, by Generali prior to May 9, 2001	<u>(3.807)</u>
<b>Net capital sum due</b>	96.193
<i>Add:</i> Interest accrued prior to transfer to ICHEIC	<u>782</u>
<b>Amount received from Generali July 10, 2001</b>	96.975
<i>Add:</i> Interest received July 10, to December 31, 2001	1.286
<i>Less:</i> Bank charges	(1)
<i>Less:</i> Transfer to ICHEIC forwarded to the Generali Trust	(8.083)
<i>Less:</i> Transfer to ICHEIC for forwarding to the Generali Trust	(10.000)
<i>Less:</i> Transfers to ICHEIC of interest received	<u>(2.067)</u>
<b>Balance at December 31, 2001</b>	<u><u>78.110</u></u>