

# QUARTERLY REPORT

November 2005

The International Commission  
on Holocaust Era Insurance Claims

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## Recent Events

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- As of 28 October 2005, \$157 million has been offered or awarded to claimants as a result of the ICHEIC process.
- These figures include ICHEIC's distribution of approximately \$16 million in awards to 11,000 claimants in July and August 2005 through the ICHEIC humanitarian claims processes.
- On 15 October, Chairman Eagleburger and ICHEIC staff met with representatives of the German Insurance Association (GDV) and the German Foundation "Remembrance, Responsibility, and Future" to discuss progress toward the completion of claims decision-making by the close of 2005.
- On 28 June, Chairman Eagleburger met with Dr. von Fürstenwerth of the GDV, Ambassador Bräutigam of the German Foundation, regulator and Jewish organization representatives, and the Appeals Panel judges to discuss how to ensure the timely and cost-effective completion of appeals decision-making within the Panel.
- On 11 June, Chief Operational Officer Mara Rudman attended the quarterly meeting of the National Association of Insurance Commissioners in Boston, where she briefed Holocaust Issues Task Force members on ICHEIC's progress. She will brief the task force at the next NAIC quarterly meeting on December 5 in Chicago.
- **Special Notice for ICHEIC representatives:** The next Commission meeting will be held on 14 December 2005 in Washington, DC.

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## Closedown Progress

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ICHEIC continues to work with member companies to finalize decision-making on outstanding ICHEIC claims by the close of 2005. Based on the number of claims outstanding and the current pace of decision-making at key companies, ICHEIC remains optimistic that member companies will meet this objective.

As communicated at the May ICHEIC meeting and in Chairman Eagleburger's memorandum to Commissioners of 29 September, the end-2005 deadline refers to companies' completion of investigations of outstanding claims to determine whether a policy exists and whether an offer will be extended. Decision letters communicating the results of company investigations of named and unnamed claims should be distributed to claimants in the first part of 2006. ICHEIC will remain open until its mission to pay previously uncompensated and timely filed Holocaust-era insurance claims is complete.

This section of the Quarterly provides an overview of closedown progress in key areas, each of which are addressed in more detail in individual sections below. ICHEIC will present a detailed closedown timeline at the December meeting.

## **Tracking Companies' Progress**

ICHEIC staff holds monthly conference calls with its Operations Committee, chaired by the New York Insurance Superintendent, and comprised of regulator, Jewish group, and company representatives. Among other mandates, the Committee is charged with tracking companies' progress in working toward the year-end deadline for claims decision-making.

The Operations Committee reviews internal statistics on real-time decision making by companies. The statistics discussed by the Operations Committee are based on the number of claims investigated by a company to determine if a policy exists for the policyholder referenced in the claim form.

While the statistics published in the ICHEIC monthly statistical report on the ICHEIC website are based on company distribution of decision letters to claimants and ICHEIC's verification of such letters, those reviewed by the Operations Committee constitute a more immediate snapshot of the work remaining to decide all claims.

## **Audits Timeline**

The ICHEIC audit process has largely concluded and is not expected to affect ICHEIC's closedown timeline.

All Stage 1 audits (examining companies' systems and the procedures that are set up to comply with ICHEIC Audit Standards) have been completed, as have the German BaFin audits.

Stage 2 audits examine each company's handling of claims. Plans are in place to complete five of the remaining eight Stage 2 Phase 2 audits by 31 December 2005. The exceptions are Allianz Leben with Vereinte, Generali Trieste, and Generali Austria (see "Audits" section below) which will not be concluded until the first quarter of 2006.

## **Appeals Timeline**

ICHEIC's closedown objectives call for the completion of the appeals process by the end of the third quarter of 2006. This timeframe is calculated to allow six months for appeals processing after companies have distributed decision letters.

At the May ICHEIC meeting, several Commissioners raised concerns about the pace of decision-making by the Appeals Panel. Consequently, Chairman Eagleburger, together with representatives of the GDV, German Foundation, regulators, and Jewish groups, met with Panel judges in June to discuss how to ensure timely decision-making, particularly as claimants receive a large number of decisions in the final quarter of 2005 and the beginning of 2006.

The meeting resulted in an agreement on additional Appeals Panel arbitrators, who have since been appointed.

The Appeals Tribunal is also adding additional arbitrators, and ICHEIC is otherwise working to maximize workflow at the Tribunal. The Tribunal is working through a large volume of appeals of GTF decisions ICHEIC has received, on which claimants were never given the opportunity for appeal.

### **Closedown: 2006 Workplan Items**

As ICHEIC staff and member companies work to complete decision-making on all outstanding ICHEIC claims by the close of 2005, all parties have started planning for 2006 and the tasks remaining to close down the Commission. Briefly described, additional work in 2006 includes:

- Companies' finalization and distribution of decision letters related to claims decided at the end of 2005;
- ICHEIC's verification of company decisions;
- Reconciliation of the ICHEIC database against company records to ensure that decisions on all ICHEIC claims are properly recorded;
- ICHEIC's distribution of closeout letters for all unnamed claims for which there is no match found between the information contained in the claim form and company or ICHEIC records;
- Distribution of humanitarian awards on claims for which a final decision is required from a company in the main claims process before the award can be distributed;
- Follow-up on failed payments and returned humanitarian awards due to incorrect addresses;
- Finalization of decision-making on all outstanding ICHEIC appeals; and
- Archiving of ICHEIC's work.

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## **Claims Processing**

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### **Claims Processing Statistics**

As of 28 October 2005, there have been 7,635 offers made to ICHEIC claimants, totaling \$115.22 million. An additional 783 offers (totaling \$15.13 million) have been by ICHEIC companies on claims submitted directly to them. Accordingly, offers made using ICHEIC valuation guidelines amount to \$130.35 million.

This figure includes 693 offers, totaling \$7.8 million, that ICHEIC extended directly to claimants through its humanitarian claims process for named claims on nationalized/liquidated/no present-day successor companies.

In addition to the \$130.35 million in awards based on ICHEIC valuation guidelines, ICHEIC has distributed 26,683 humanitarian awards of \$1,000 each, totaling \$26.68 million. These awards were made on a per-claimant basis to claimants with eligible unnamed and presently unmatched claims or named company claims that could not be matched against company records.

Including main claims process awards, awards made on claims submitted directly to companies, and humanitarian claims process awards, total offers and awards resulting from the ICHEIC claims process amount to \$157 million.

### **ICHEIC Claims Team Actions**

ICHEIC welcomed Aniko Bakonyi as the fall/winter 2005 Claims Project Manager in the London office. Aniko is a veteran of the Claims Team, having worked for ICHEIC in 2002 and 2003.

ICHEIC has also hired additional Claims Team staff to ensure that all information necessary to decide claims is distributed to companies in a timely manner, and to enable ICHEIC to handle the increased volume of decision letters as companies distribute decisions on named and matched claims in the first part of 2006.

In addition to the company-specific projects detailed below, since the last Quarterly Report the ICHEIC Claims Team has focused on:

- Follow-up on the May reconciliation projects to verify that all claims intended for a company/claims processing entity have been received by that company/entity;
- Responding to regulator queries;
- Verification of company decisions;
- Coordination with the ICHEIC call center and call center adviser to close-out outstanding company requests for additional information from claimants;
- Finalizing matching projects;
- Creating, at the German Insurance Association's request, named claims from unnamed claims matched against German companies' records; and
- Distributing hard copy claim files to companies.

### **Generali**

As described in the March 2005 Quarterly, ICHEIC terminated its contractual relationship with the Generali Trust Fund in November 2004 and worked closely with Generali over the first few months of 2005 to reinstate full claims processing operations at the Generali Policy Information Center (PIC) in Trieste, Italy.

ICHEIC has continued to work with Generali to ensure that the PIC has all information necessary, including hard copy claim files and additional information from claimants, to decide all outstanding claims by year-end.

ICHEIC remains optimistic that Generali will be able to make decisions on outstanding ICHEIC claims by the end of the year. ICHEIC worked this summer with Generali to complete its research related to unnamed claims. More specifically, ICHEIC, at Chairman Eagleburger's direction and with the assistance of the professional matching firm (Ossenberg & Schneider) used in the German and Swiss matching projects, performed a full-scale electronic matching run between all unnamed outstanding claims under review with Generali and Generali's policyholder list.

Data matched included the first name, last name, and date of birth of the insured (taking into account appropriate name variations as developed by Ossenberg & Schneider in cooperation with Yad Vashem and Michael Tobias). As demonstrated by the German matching project, the results achieved through this matching project are on par with the results that would be obtained by Generali if the company were to conduct the investigations on an individual claim basis. Additionally, ICHEIC staff will track the results of this matching effort to ensure that all credible matches are handled in accordance with ICHEIC guidelines.

Generali is in the process of reviewing those cases where a match was found and ICHEIC is working to close in its database all unnamed cases for which no match was identified. As mentioned above, ICHEIC will work to send closeout letters for these unnamed claims in the first part of 2006. Also in 2006, Generali will distribute decision letters related to the named and matched claims currently under review.

Given matching efforts are complete, all remaining outstanding claims with Generali are either named claims or claims for which a match has been identified. ICHEIC staff traveled to Trieste in September to discuss with the PIC team ways to create additional efficiencies in claims handling and how ICHEIC and Generali might work more closely to meet the end of year deadline.

To allow Generali to focus fully on completing claims decision-making by the end of 2005, Chairman Eagleburger directed the Audit Mandate Support Group Chair to target the Generali Stage 2 Audit for early 2006, rather than November 2005. The Chairman made this decision in light of the fact that preparing for and working with auditors would detract from claims decision-making prior to the end of year deadline.

## **German Insurance Association (GDV)**

Chairman Eagleburger, with senior ICHEIC staff, met with representatives of the GDV and the German Foundation in Washington in mid-October to discuss German companies' progress, ongoing German archival investigations, and ways of ensuring that companies have all remaining information necessary to complete claims decision-making by the end of 2005.

ICHEIC, the GDV, and the German Foundation have searched for commonly agreed upon routes to accelerate the claims process. In one such successful example, an agreement was reached to hire additional archivists to speed up claims processing in the German state and local restitution archives. This act resulted from the shared concern that the archival investigations would not be complete in time for companies to finalize decisions on outstanding claims. Recent statistical reports from the GDV and information provided by the German Foundation indicate that the bulk of investigations on named and matched claims have been completed.

Statistics provided by the GDV show that German companies have completed 99% of work related to unnamed claims. As in the case of Generali, outstanding claims with German companies at this stage are either named or have been matched. Although ICHEIC has had difficulty collecting raw data from German companies with respect to internal claims decision-making (as opposed to the distribution of decision letters), ICHEIC remains optimistic that the German market will meet the end of year decision-making deadline for outstanding claims currently under review.

## **AXA, Winterthur, and Zurich**

ICHEIC recently completed its work with Zurich and AXA to finalize matching work as specified in ICHEIC's agreement with the AWZ companies. ICHEIC is continuing to work with Winterthur to finalize the remaining components of the matching exercise but does not expect a large volume of matches to result. Consequently, ICHEIC does not believe that Winterthur's timeline will be affected by the additional matching work.

AXA, Winterthur, and Zurich have completed their review of unnamed claims. All three companies have largely completed work related to named or matched claims. Remaining work relates to recently matched claims through the matching projects referenced above and cases where the companies are awaiting the results of German state archival investigations.

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## **Audits**

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All Stage 1 audits, which examine companies' systems and the procedures that have been set up to comply with ICHEIC Audit Standards, have been completed. Stage 2 audits,

which examine each company's handling of claims, have been completed to the Phase 2 level for five companies and to the Phase 1 level for one company, RAS.

### **Audits Completed**

ICHEIC reported in the March 2005 Quarterly on the requirement for a Stage 1 debrief meeting on Generali Italy, and that ICHEIC had requested additional information on Generali Belgium.

The Stage 1 debrief meeting was held in July, and the Stage 1 audit on Generali Italy was subsequently concluded.

Claims on all Belgian companies are processed by a Government-appointed commission<sup>1</sup> utilizing information and assistance provided by the companies. The Belgian commission has reported favorably on the cooperation received from Generali Belgium and its chairman, M. Lucien Buysse, has indicated that the commission does not require further investigation of the company's archives. Accordingly, Chairman Eagleburger has informed Generali that neither ICHEIC nor the Belgian Indemnification Commission plans to carry out an audit on Generali Belgium.

Auditors Deloitte have concluded their report into the GTF's claim handling.

Stage 2 Phase 2 audits have been completed for AXA France, AXA Germany, AGF, Winterthur and Zurich.

### **Audits Outstanding**

The five audits scheduled for completion by 31 December 2005 are RAS, Generali France, and Generali's three German units. All these companies have processed sufficient claims to qualify for Phase 2 acceptance.

The draft Phase 2 report on RAS is currently due for delivery from the auditor and will then be circulated to the AMSG for consideration. The Generali France audit start has been postponed until 23 November so as to achieve Phase 2 at a single audit. Auditors Deloitte have responded by scheduling an expanded team that aims to finish the field work within two weeks and to provide a draft report shortly thereafter. Final Stage 2 reports on Generali's three German units are expected by 15 November and will be circulated to the AMSG for consideration.

Allianz has encountered a number of difficulties that have caused delay. The Stage 2 Phase 1 report was received on 4 November and circulated to the AMSG for consideration. However, the Stage 2 Phase 2 audit has been extended to match the pace of claims processing and a draft report is not expected before the end of January.

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<sup>1</sup> Indemnification Commission for the Belgian Jewish Community's assets.



As mentioned under the Claims Processing section of this report, the Stage 2 Phase 2 audit of Generali Trieste has been deferred until early 2006 to allow claims processing to continue at maximum throughput. ICHEIC's plan has always been to carry out the Stage 2 audit of Generali Austria at the same time as Trieste, because all Austrian claims are handled in Trieste except for those on the former RAS business in Austria, which Generali acquired. ICHEIC expects to conclude these audits by the end of March 2006.

### **Audits of non-MoU German Companies**

The BaFin has completed its audits and issued 'Testats' on the ten non-MoU German insurance companies. ICHEIC expects to receive the German Regulator's report in accordance with the Tripartite Agreement in due course.

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### **Appeals**

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As described under "Closedown Progress" above, ICHEIC's objectives call for the completion of appeals decision-making by the close of the third quarter of 2006.

ICHEIC has expanded the staff and staffing capabilities of the Appeals Office considerably since it started. That office includes legal advisors, case analysts, and administrators, and staffs both the Tribunal and the Panel. The ability to work through the extensive volumes remaining and any increased load ICHEIC may face in the coming months will challenge that staff, but ICHEIC has every confidence that they are prepared and well suited for the challenge and have the creativity and the flexibility, working within the parameters and procedures of ICHEIC's rules and guidelines with respect to the Tribunal, and the Tripartite Agreement with respect to the Panel, to ensure that the process moves forward with fairness, equity, effectiveness, and efficiency.

Although one legal adviser left in July, three legal advisers have been appointed since March 2005. An additional experienced legal adviser, although having left ICHEIC's full time employment, will continue to work for ICHEIC in a consultancy capacity. The Appeals Office also now has two additional case analysts and two additional administrators to handle the expected increase in appeals volumes by year-end.

As of 28 October 2005 the Appeals Office has received 1388 appeals. Decisions have been made on 663 of these and a further 67 appeals have been withdrawn by the appellant. Of the 663 appeals decided, 190 have led to awards totaling \$2,573,630 and 473 have been dismissed. Arbitrators have recommended 127 appeals for 8A1 humanitarian payments.

The breakdown of appeals received and decisions made by appeals process and by company is as follows:

	Appeals Tribunal			Appeals Panel		
	Appeals received	Awards	Dismissals	Appeals received	Awards	Dismissals
<b>Allianz</b>	89	4	19	107	1	62
<b>Allianz RAS</b>	289	128	143	101	22	52
<b>AXA France</b>	11	2	6	N/A	N/A	N/A
<b>AXA Colonia</b>	27	4	20	22	1	14
<b>AXA Belgium</b>	2	0	1	N/A	N/A	N/A
<b>Generali</b>	481	2	11	N/A	N/A	N/A
<b>GDV</b>	N/A	N/A	N/A	212	14	118
<b>Winterthur</b>	8	1	6	3	0	3
<b>Zurich</b>	34	11	17	2	0	1

On 25 April ICHEIC wrote to over 2500 claimants who had received decision letters from the GTF to clarify their appeal rights. This led to over 350 appeals being received by the Appeals Office including around 40 appeals which were still pending with the GTF Appeals Committee. Although this created an abnormally high workload, all claimant letters were acknowledged by the end of July.

Because of the unique circumstances surrounding ICHEIC's inheritance of those appeals, the Appeals Tribunal will do its utmost to meet the six months best efforts time frame but it may not be administratively possible. Arbitrators had already made decisions on twelve of these cases by the end of October 2005 and additional arbitrators have been appointed.

At a meeting held on 28 June between the Appeals Panel, the German Foundation, the GDV, and ICHEIC it was agreed that decisions made by the Appeals Panel and Appeals Tribunal arbitrators would be published on ICHEIC's website after information such as dates and names had been redacted. This redaction, which is being handled by the Claims Conference on ICHEIC's behalf, has started and the first redacted decisions will be available on the ICHEIC website shortly.

Subsequent to the 28 June meeting, the Contracting Parties wrote to the Appeals Panel with a list of proposed arbitrators for use by the Panel. The Appeals Panel has now written to the Contracting Parties to confirm that the names recently submitted to them will be appointed at the end of October. This should have an immediate effect on the throughput of Panel appeals.

Following a request made by Allianz and put forward by the GDV, the Tripartite Agreement signatories, together with the Appeals Panel judges, have agreed that the Appeals Panel will hear appeals on claims submitted directly to Allianz. Given the

uncertainty surrounding the numbers of cases that might be heard and the extra costs that will be incurred, Chairman Eagleburger has reserved the right to reconsider the decision if it should develop that the number of cases becomes burdensome to the Panel or adds substantial cost to ICHEIC and the Panel.

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## **Humanitarian Claims Process**

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### **Unnamed and Presently Unmatched Claims/Named Claims with No Match Found**

In August 2005, ICHEIC awarded approximately \$10.5 million to 10,500 claimants with unnamed and presently unmatched claims or named company claims that could not be matched against company records. These humanitarian awards of \$1,000 were made on a per-claimant basis for claims with only anecdotal evidence and for which no supporting documentation could be found.

The August 2005 awards follow ICHEIC's distribution of \$16 million in humanitarian awards to 16,000 claimants with unnamed and unmatched claims in March 2004, for a total of \$26.5 million awarded through this process to date.

ICHEIC has reviewed and scored all claims that are potentially eligible under this humanitarian claims process. ICHEIC plans to distribute a third, relatively small, tranche of humanitarian awards in December 2005. A more sizable final tranche of awards will follow in spring 2006, once companies have decided outstanding claims and the eligibility of these claims under the humanitarian claims program is confirmed.

### **Named claims on Nationalized/Liquidated/No Present-Day Successor Companies**

Documented claims on companies in Eastern Europe that were nationalized or liquidated after World War II and for which no present-day successor can be identified are covered under the Eastern European humanitarian claims process. ICHEIC made approximately \$5.5 million in awards on 550 claims in this category in July 2005. These awards follow the distribution of \$2.4 million on 150 claims in October 2004, for a total of \$7.9 million awarded through this process to date.

Eastern European humanitarian awards are made on a per-policy basis and are calculated in accordance with the same ICHEIC Valuation Guidelines used by member companies.

ICHEIC's Eastern European claims review team is on track to complete decisions on a third tranche of awards by the end of 2005. ICHEIC will distribute award letters for these cases in the first quarter of 2006.

Decisions on the fourth and final tranche of humanitarian awards will be completed in the first quarter of 2006 because ICHEIC must await company decisions from the main claims process before making such awards. These decisions relate to cases where there is

a research document indicating the existence of a policy with an unnamed insurance company. Prior to issuing humanitarian awards on such cases, ICHEIC must wait for companies to issue their decisions on related claims since the policies referenced in the research documents could relate to policies awarded through the main claims process.

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## **Humanitarian Allocations**

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ICHEIC's settlement agreements with various insurance companies, the German Foundation and the GDV provide for funds to be made available for humanitarian purposes related to the Holocaust. Some of the funds were available immediately upon settlement. Additional funds become available through the passage of time or at the conclusion of claims processing and payment.

### **Social Welfare for Needy Holocaust Victims**

ICHEIC made a commitment to fund \$132 million (to the extent ultimately available) in social welfare benefits, including home care, for needy Jewish victims of Nazi persecution worldwide. The oversight for the distribution of these funds is being conducted by the Claims Conference.

The initial commitment was for a period of 10 years, which was amended to nine years in 2004. In 2005, a decision was made to further reduce the timeline to a total of seven years. \$33 million was distributed in 2003-2004. The 2005 allocation of \$17 million will be distributed during 2005. The additional 2005 allocation of \$5 million, plus the 2006 allocation of \$22 million will be distributed by the end of 2006.

### **ICHEIC Service Corps**

In 2003, ICHEIC approved a pilot project to link university students with local Holocaust survivors in a program of home visits. The ICHEIC Service Corps provides service to those affected by the Holocaust and educational opportunities for the students to learn about the Holocaust and its destructive impact. It also serves to strengthen Jewish identity and leadership in the undergraduate population by providing an opportunity to interact with the dwindling population of survivors.

This program is being piloted at the University of Miami by the Miller Center at the University, and in New York City at seven universities, coordinated and administered by Hillel. This fall the Miami program enrolled over 40 students from two South Florida universities in its program. The New York program enrolled over 70 students from seven universities.

Total funding for this program to date is approximately \$946,000.

The Cohen Center at Brandeis University will be providing the program assessment for the 2005/6 academic year.

### **Initiative to Bring Jewish Cultural Literacy to Youth in the Former Soviet Union**

The initiative in the FSU, developed and administered by the Jewish Agency for Israel (“Jewish Agency”), focuses on providing local youth with an intensive multi-year multi-week camping experience. The program focuses on three objectives:

- Learning about pre-Holocaust Jewish communities in Eastern Europe as a means of building basic familiarity with Jewish culture and heritage;
- Creating personal relationships with Holocaust survivors to learn about the Holocaust and Jewish survival, and to solidify Jewish identification and commitment;
- Experiencing Jewish and Israeli culture as a means of helping youth develop their own form of Jewish expression.

The Jewish Agency has completed its second pilot program year for Jewish youth in St. Petersburg. The results of the first pilot year identified several areas of concern over the implementation of the program. The lessons learned during the first year were addressed by the Jewish Agency and as a result, the second pilot year seems to have been a success by most any measure. The 2004 camp ran a single camp for ages 7 through 18. The 2005 camp site was more conducive to the program, providing a more secluded environment. The range in age of campers was much more appropriate; two separate camps were run for the 11-13 and 14-18 age groups, with age appropriate educational materials for each. The 7-10 age group was eliminated entirely due to the difficulties encountered in running a multi-week camp for such young children.

The program cost committed by ICHEIC for the two pilot years is expected to be \$1.77 million. In addition, the Jewish Agency provided one-third of the program cost for the 2005 summer program.

The Cohen Center at Brandeis University will be providing an independent assessment of the program again this year. Their assessment has been expanded to allow for additional research to take place several months after the end of the summer program in order to obtain some insight with regard to the impact of the camping experience on the participants’ daily lives.

### **Yad Vashem Program**

Early in 2005, the Commission approved a proposal for a pilot program submitted by Yad Vashem focusing on Holocaust education in Europe, with the goals of preserving the memory of the Holocaust and imbuing new generations with its lessons, as well as

combating a new rise in anti-Semitism. The program has completed its planning phase and has held various educational programs throughout Europe.

The commitment for the pilot year of the program is limited to \$1,090,000.

The Cohen Center at Brandeis University will be providing the program assessment for the pilot year of this program.

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### **Financial Report**

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The audited financial statements for the year ended December 31, 2004 are available on the ICHEIC website in the Document Center, under “Financial Reports”.

The FAAC is focused on the financial aspects of the operations close down plan of the Commission. As the plan is developed, the cost of each aspect of the closedown plan is considered in the budget.

A revised Lifetime Budget is also being updated and will be presented to the full ICHEIC at the December meeting.

The Investment Committee continues to believe that the strategy developed early in the year; to invest approximately 50% of the ICHEIC funds in fixed income securities in a laddered portfolio ranging in maturities from three months to two years, is the best alternative for the ICHEIC funds. The strategy has maximized the yield for the ICHEIC funds without introducing market risk, and the timing of the maturities ensures the adequacy of funds when needed for claims and humanitarian obligations and for operational needs.