Recent Events

We begin this fifth edition of the Quarterly Report by reviewing important recent ICHEIC events.

• This month, ICHEIC mailed approximately $2.3 million in offers from its discretionary humanitarian funds to nearly 130 claimants with valid claims on Eastern European insurance companies that are no longer in existence and do not have a successor company. These claims were referred to the Humanitarian Claims Process under Section 8A2 of the ICHEIC Memorandum of Understanding and were evaluated by ICHEIC staff against the ICHEIC valuation guidelines used by Member Companies.

• On 24 and 30 August, respectively, Mara Rudman, Jody Manning, and Anne Marie Burnsed met with staff from the offices of Senator Bill Nelson and the House Committee on Government Reform to brief them on ICHEIC’s recent progress.

• On 23 August, Mara Rudman, Jody Manning, and other ICHEIC staff met with Dr. Jörg Freiherr Frank von Fürstenwerth, Chief Executive Officer of the German Insurance Association (GDV), and his staff in Washington. Chairman Eagleburger spoke with Dr. von Fürstenwerth before the session. We reached agreement on how best to track monthly progress on claims processing and on routes to overcome challenges that might otherwise slow the ability of German insurance companies to complete claims processing by the close of 2005.

• On 19 July, Chairman Eagleburger met with Generali Managing Director Dr. Giovanni Perissinotto and Judge Ishai Levit of the Generali Trust Fund (GTF) in Rome to discuss how to expedite processing of claims by Generali and the GTF.

• In July, the ICHEIC London office, in partnership with ICHEIC’s outsourced claims processor, Capita London Market Systems (CLMS), completed processing of nearly all ICHEIC-eligible claims and subsequently distributed them to the relevant companies and claims processing entities.

• On 14 June, Mara Rudman attended the quarterly meeting of the National Association of Insurance Commissioners (NAIC) in San Francisco, where she reported on ICHEIC’s progress in the previous quarter and responded to questions about challenges posed by the pace and quality of GTF claims processing.

Special Notice for ICHEIC Representatives: Please note that the next ICHEIC meeting is scheduled for 16 November 2004 in Washington, DC.
Closedown Planning

Following direction provided at the 21 April 2004 ICHEIC meeting, ICHEIC staff have been working with ICHEIC member companies and claims processing entities to prepare a realistic closedown plan for the organization, concurrent with preparation of a new lifetime ICHEIC budget, to be presented for approval at the 16 November 2004 full ICHEIC meeting. The staff working group, reporting progress to the Operations Committee and the Financial Administrative Advisory Committee (FAAC), has identified key challenges relating to closedown. It has defined and is working to implement solutions that will ensure ICHEIC companies complete processing of all claims by the end of 2005, and that the Appeals Panel and Appeals Tribunal are able to complete their work by mid-2006.

We have focused on four areas that were cited as concerns in the May 2004 Quarterly Report: (1) The rate of decision-making at the GTF and the GDV; (2) The timely provision of accurate materials to companies by ICHEIC and/or CLMS, which affects companies’ ability to carry out their work in a timely manner; (3) The audit timeline; and (4) The appeals process timeline.

With respect to the GDV and German companies’ work, ICHEIC staff had a productive meeting in August with Dr. von Fürstenwerth of the GDV. Chairman Eagleburger joined by telephone. We are pleased to announce that Dr. von Fürstenwerth has accepted Chairman Eagleburger’s invitation to join us as an observer at ICHEIC’s 16 November 2004 meeting.

With respect to ICHEIC/CLMS operational processes, we have made some significant adjustments in the capacity of ICHEIC in our London office to carry out a number of functions for which our outsourced claims processor, CLMS, was previously responsible. These include a newly implemented electronic data management system, described in more detail below, and additional personnel to manage and staff the distribution of information. These adjustments will help ICHEIC address the concerns raised by claimants, companies, regulators, and other ICHEIC stakeholders, and ensure that companies receive reliable information in a timely manner, thereby enhancing their ability to complete processing work by the close of 2005.

With respect to audits, in this report we describe the timelines for various remaining Stage 1 and Stage 2 audits. We continue to consider various routes to streamlining the audit process while preserving the mission for which the audit processes were created. We expect to report in more detail on how and where audit processes might be adjusted at the 16 November 2004 ICHEIC meeting.

With respect to appeals work, the Appeals Panel decided at its July meeting to allow appeals to be decided by a single Panel member, rather than by the full Panel. It is expected that this will increase the rate of decision making sufficiently to allow the appeals process to finish within a maximum of six months after the companies make their final decisions.
The completion of work on Generali claims remains our biggest challenge, largely because of problems we have had with the pace and the quality of work carried out by the GTF, an implementing organization with which ICHEIC signed an agreement to process Generali claims. As noted, Chairman Eagleburger met with Generali Managing Director Dr. Perissinotto and Judge Levit of the GTF in July 2004 in Rome. At that time, Generali agreed to take processing of unnamed claims from the GTF, so that the GTF might focus solely on increasing the pace of decision-making on the large volume of named Generali claims.

At the conclusion of the Rome meeting, Judge Levit had committed to implement various changes in GTF practices (beyond moving unnamed claims work to Generali) that would allow the GTF to meet ICHEIC’s claims processing targets. He requested additional time to confer with the GTF board before the agreement was made public. In subsequent communications with Chairman Eagleburger, Judge Levit, on behalf of the GTF board, made clear that the GTF was not able or willing to implement the changes discussed in Rome.

In the meantime, ICHEIC received distressing briefings from Deloitte & Touche, our GTF compliance auditors, on preliminary findings with respect to the quality of GTF decision-making on individual claims. ICHEIC then received a draft audit report from the Comptroller’s Office of the State of Israel. The Comptroller’s report reflected work carried out at the GTF from fall 2003, of which the GTF had failed to notify ICHEIC. The recommendations and conclusions of the Comptroller’s report exacerbated concerns ICHEIC has raised repeatedly about both quality and pace of GTF claims processing.

Chairman Eagleburger has been in frequent communication with Dr. Perissinotto over the course of September and October to fully evaluate all available options for improving the quality of processing and completing work on all Generali claims by the close of 2005. Chairman Eagleburger will be communicating shortly with the full ICHEIC with respect to the course going forward on Generali claims, and will present a full report on this issue at the 16 November 2004 meeting.

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Claims Processing

Statistics

As of 15 October 2004, there have been 4,644 offers made to ICHEIC claimants totaling $73.44 million. This represents an increase of 1,033 offers and $16.33 million since the May 2004 Quarterly Report. To date, ICHEIC companies have made a further 728 offers amounting to $12.68 million on claims submitted directly to them. Accordingly, total offers made using ICHEIC valuation guidelines amount to $86.12 million.

In April of this year, ICHEIC distributed 15,890 one-time humanitarian awards of $1,000 each (a total of $15.89 million) to claimants whose claims did not name a specific
company and subsequently could not be matched under the main claims process, but provided enough evidence to substantiate the possible existence of an unpaid Holocaust-era insurance policy. Including these humanitarian awards, total offers resulting from the ICHEIC claims process now amount to $102.01 million.

ICHEIC has received 79,769 claims eligible for processing under ICHEIC guidelines. After completing the processing of those claims received in the last quarter of 2003 and the first quarter of 2004, ICHEIC does not expect any further significant increase in the number of eligible claims. ICHEIC has received an additional 39,465 inquiries that are outside the scope of its mission. These inquiries have been directed to other restitution organizations as appropriate. For more detailed information, please visit the ICHEIC website to view the latest Statistical Report, located at http://www.icheic.org/docs-financial.html.

Claims Distributed to Companies

In July, ICHEIC’s London office and its outsourced claims processor, CLMS, completed processing of the vast majority of claims eligible under the ICHEIC process and subsequently distributed them to participating companies and claims processing entities. In the future, a very limited number of new claims will continue to be distributed, coming from the following categories:

- Claims that result from matches located in the ICHEIC research database or company records. Such claims are created when a match (or matches) to an existing claim (or claims) pertain(s) to companies or policies not referred to in the existing claim(s).

- Claims on which ICHEIC needed to refer back to the claimant to collect required information missing from the original submission of the claim form (e.g., name of policyholder/insured, declaration of consent, signatures, etc.). ICHEIC uses its call center to collect this information from claimants.

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1 ICHEIC has occasionally revised its number of eligible claims downward due to the ongoing identification of claims that fall outside of ICHEIC’s mission, e.g., non-Holocaust-era claims, claims which – despite efforts to obtain additional information from claimants – do not contain enough information to enable complete processing, as well as replica (duplicate) claims.

2 A small number of new claims will continue to be registered as a result of ICHEIC matching exercises; see the matching section of this report for further details.

3 We should underscore that ICHEIC statistics reflect the occasional movement of claims within the ICHEIC process, which occurs due to ongoing efforts to ensure that claimants are given the best possible opportunity to have their claim(s) considered. Examples include claims originally assigned to companies or processing entities that were subsequently determined not to cover the particular portfolios or geographic regions upon which the claims were based. While some claims have been transferred to other companies participating in the ICHEIC process, others have been cycled into ICHEIC’s 8A2 humanitarian claims process.
• Claims initially submitted directly to the Austrian General Settlement Fund (GSF), but identifying companies within the scope of ICHEIC. The transfer of these claims from the GSF to ICHEIC is ongoing. We expect a large number of duplicates between claims in this group and claims already on file with ICHEIC.

**Improved Management of Data and Records**

ICHEIC continues to identify and improve key operational areas in the claims process. For this reason, we created and implemented an electronic document management system (DMS) in the London office. The DMS promises to provide increased effectiveness in service to claimants, companies, and U.S. state insurance regulators. We made this change at this stage in the claims process for the following reasons:

• The passage of the ICHEIC claims filing deadline marked the end of large-scale, front-end claims processing, the primary mission of ICHEIC’s initial contract with CLMS. We determined that the major remaining, operational claims processing functions would be better handled directly by ICHEIC staff. For ICHEIC to take on new operational roles, we needed the capacity to organize, retrieve, view, reproduce, and circulate claim files among companies, claims processing entities, and ICHEIC staff.

• ICHEIC already had scanned nearly 50% of the total ICHEIC-eligible claims universe, some 39,000 claim files. These scanned files were provided to the Claims Conference for the 8A1 reviews completed in March 2004. This initial scanning process proved both effective and flexible. Once scanned, case files could be transferred between and among those carrying out ICHEIC’s operational tasks with far greater ease and timeliness. Given this positive experience with nearly half our claims volume, we determined that for both ongoing operational needs and future archival purposes, we should go forward with developing and implementing a plan to scan all remaining claim files (approximately 40,000). The DMS was created to provide a means for organizing and retrieving electronically the entire universe of ICHEIC’s claim files.

• The DMS provides simultaneous access to complete claim files for ICHEIC staff (including the Appeals Office), obviating the cost and time for CLMS to manually reproduce and/or transport paper files. This will greatly enhance the speed and efficiency of several tasks, including:

  o Receipt, recording, and answering of company correspondence and decisions (including provision of claim files, match information, and claimant query responses to companies).

  o Distribution of claim forms to companies operating under the 16 October 2002 agreement among ICHEIC, the German Foundation, “Remembrance, Responsibility and the Future,” and the GDV. (Some 3,300 claim forms
await distribution to participating GDV companies following completion of the requisite research in compensation and restitution archives, which is conducted using electronic extracts from the ICHEIC claims database.)

- Verification of company decisions by the Claims Team.
- Expedited distribution of claim files as necessitated by the results of various ICHEIC matching processes.
- Provision of claims-related documents (e.g., company decision letters) to U.S. state insurance regulators.
- Delivery of files for use in appeals considered by the Appeals Tribunal and Appeals Panel.

ICHEIC started to receive the DMS software and hardware in early October, and we expect to complete all DMS testing by 15 November. The system should be fully operational from this date.

Responding to Queries from US State Insurance Regulators

ICHEIC has dedicated significant resources to respond to queries from US state insurance regulators. These include:

- A full-time Claims Team member in the London office dedicated solely to answering and resolving regulator queries.
- Monthly conference calls with regulators to report on all aspects of the ICHEIC process and discuss regulators’ issues.
- Substantial time devoted by senior-level ICHEIC staff to further discussion of issues of concern to regulators, in addition to monthly conference calls and management/supervision of other staff working on these issues.

In addition, US insurance regulators have active operational roles in the organization. Regulators representing California, Florida, Illinois, New York, and Pennsylvania either have served, serve on, or chair (in the case of Pennsylvania and New York) key ICHEIC committees.
Below please find statistics quantifying ICHEIC’s responses to regulator queries on individual claims.4

<table>
<thead>
<tr>
<th></th>
<th>Current Queries⁽ᵃ⁾</th>
<th>Claims</th>
<th>Total Queries⁽ᵇ⁾</th>
<th>Pending</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>309</td>
<td>365</td>
<td>573</td>
<td>93⁽ᶜ⁾</td>
</tr>
<tr>
<td>FL</td>
<td>39</td>
<td>42</td>
<td>113</td>
<td>0</td>
</tr>
<tr>
<td>NY</td>
<td>2,011⁽ᵈ⁾</td>
<td>923</td>
<td>2,613</td>
<td>6</td>
</tr>
<tr>
<td>TX</td>
<td>12</td>
<td>13</td>
<td>26</td>
<td>0</td>
</tr>
<tr>
<td>WA</td>
<td>90</td>
<td>54</td>
<td>316</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>21</td>
<td>250</td>
<td>0</td>
</tr>
<tr>
<td>TOTALS</td>
<td>2,477</td>
<td>1,418</td>
<td>3,891</td>
<td>100</td>
</tr>
</tbody>
</table>

(a) For the period 5 June 2004 to 15 October 2004.
(b) This column refers to the cumulative total since ICHEIC began keeping these statistics, i.e. for the period November 2003 to October 2004.
(c) Nearly 70% of these queries are requests for copies of decision letters, which are addressed on an ongoing basis. Going forward, such requests will be expedited with the advent of a fully functional DMS.
(d) During the period covered by this report, the New York State Banking Department’s Holocaust Claims Processing Office performed several comprehensive reviews of claims filed through their office, hence their heavy volume of queries this quarter.

Payments under the ICHEIC-GDV-German Foundation Agreement

The May 2004 Quarterly Report provided details of the payments made from November 2003 through April 2004 pursuant to the 16 October 2002 agreement among ICHEIC, the German Foundation “Remembrance, Responsibility and the Future,” and the GDV. The results for the four months from May 2004 to August 2004 are shown below.⁵

<table>
<thead>
<tr>
<th></th>
<th>Payments</th>
<th>Claimants</th>
<th>Claims</th>
<th>Total (€)</th>
<th>Total (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May⁽ᵃ⁾</td>
<td>104</td>
<td>83</td>
<td>77</td>
<td>150,243.42</td>
<td>619,300.81</td>
</tr>
<tr>
<td>June⁽ᵇ⁾</td>
<td>98</td>
<td>87</td>
<td>86</td>
<td>122,901.27</td>
<td>785,261.22</td>
</tr>
<tr>
<td>July⁽ᶜ⁾</td>
<td>187</td>
<td>148</td>
<td>152</td>
<td>93,294.60</td>
<td>1,568,778.60</td>
</tr>
<tr>
<td>August⁽ᵈ⁾</td>
<td>137</td>
<td>121</td>
<td>126</td>
<td>63,175.92</td>
<td>1,295,639.10</td>
</tr>
<tr>
<td>September⁽ᵉ⁾</td>
<td>153</td>
<td>125</td>
<td>126</td>
<td>56,083.91</td>
<td>1,110,037.22</td>
</tr>
<tr>
<td>TOTALS</td>
<td>679</td>
<td>564</td>
<td>562</td>
<td>485,699.12</td>
<td>5,379,016.95</td>
</tr>
</tbody>
</table>

(a) May payments included 8 Appeals Panel and 6 Appeals Tribunal awards.
(b) June payments included 3 Appeals Panel and 8 Appeals Tribunal awards.
(c) July payments included 5 Appeals Panel and 34 Appeals Tribunal awards.
(d) August payments included 3 Appeals Panel and 12 Appeals Tribunal awards.
(e) September payments included 1 Appeals Panel and 15 Tribunal awards.

⁴ These statistics do not include queries answered directly by senior ICHEIC staff members.
⁵ These reflect the most up-to-date statistics available from the GDV.
ICHEIC Verification

The May 2004 ICHEIC Quarterly Report included a detailed description of ICHEIC verification. ICHEIC continues regular communication with companies to ensure that verification queries are resolved as expeditiously as possible. The most recent statistics on ICHEIC verification appear below.

<table>
<thead>
<tr>
<th></th>
<th>Through May 2004</th>
<th>Current Period (a)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decisions Verified</td>
<td>7,818</td>
<td>1,868</td>
<td>9,686</td>
</tr>
<tr>
<td>Queries Raised</td>
<td>692</td>
<td>185</td>
<td>877</td>
</tr>
<tr>
<td>Queries Resolved (b)</td>
<td>143</td>
<td>337</td>
<td>480</td>
</tr>
</tbody>
</table>

(a) May 2004 to October 2004.
(b) Of the 397 outstanding queries raised, 315 are from the February/March 2004 large-scale verification effort described in the May 2004 Quarterly Report. Many of these are queries on decisions made in accordance with ICHEIC guidelines at the time the decisions were made, but which require updating to account for subsequent changes in ICHEIC guidelines, rather than queries regarding manifest discrepancies between companies’ original decisions and ICHEIC guidelines. ICHEIC continues to work with companies to resolve these queries as soon as possible.

Minimum Payment Amounts Adjusted

After considering recommendations and concerns presented by the ICHEIC Operations Committee, Chairman Eagleburger issued modifications to ICHEIC claims processing guidelines to establish and/or increase certain minimum payment categories:

1. All Western European offers of less than $3,000 to survivors and their heirs are adjusted to $4,000 and $3,000 respectively so that they are equal to German minimum payment requirement levels; and,

2. All aggregate offers of less than $1,000 will be adjusted to $1,000 in order to maintain consistency and fairness with ICHEIC 8A1 humanitarian awards.6

The Chairman acknowledged that implementation of these modifications will require additional company resources. ICHEIC has offered our staff to work with companies to identify claims requiring such “top up” to ensure that claimants receive adjusted payments as quickly as possible.

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6 Please note that this does not include offers that have been divided among heirs. This refers to total offer amounts, on a per policy basis.
Research and Matching

Archival Research

The May 2004 ICHEIC Quarterly Report provided a detailed description of ICHEIC’s archival research efforts, which aimed to locate information on Holocaust-era insurance policies and policyholders. ICHEIC has since published a complete description of its archival research efforts. This description is presented in three reports and is available on the ICHEIC website at http://www.icheic.org/docs-research.html.

As described in the second of these reports, ICHEIC’s 2004 efforts to discover additional policies and policyholders in Hungarian, Polish, and Romanian records produced limited results. The results of this research have been integrated into the ICHEIC research database for use in ICHEIC matching efforts. The research database now includes information on 78,504 policies belonging to 56,003 policyholders.

ICHEIC has completed its archival research and thus the ICHEIC research database now may be regarded as static.

Matching

Matching Between the ICHEIC Research Database and the ICHEIC Claims Database

ICHEIC anticipates that we will transmit to companies all matches generated between the ICHEIC research database and the ICHEIC claims database by 31 December 2004. To meet this timeline, ICHEIC has taken the following steps:

- A final matching comparison between the research database and the claims database was executed in August 2004.

- The results of this matching comparison are being sorted into the matching categories described in the May 2004 Quarterly Report.

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8 This reflects an increase of 986 policies and 924 policyholders since the size of the ICHEIC research database was last reported (in the May 2004 Quarterly Report). These increases in database records do not equate directly to the number of archival records described in the ‘Report on Supplementary Archival Research’ due to the fact that a single archival record may contain data points that translate to multiple database records.
ICHEIC is adding staff to speed the process of sorting matches, identifying Exact and High-Probability matches, reproducing research documents and claim files associated with these matches, and transmitting this information to companies.\(^9\)

Below please find statistics regarding matching between the ICHEIC research database and the ICHEIC claims database.

<table>
<thead>
<tr>
<th>Matches Generated by Electronic Database Comparison</th>
<th>7,408</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Listed by Company/Organization to which the Match has been Assigned)</td>
<td></td>
</tr>
<tr>
<td>• Generali/GTF</td>
<td>2,755</td>
</tr>
<tr>
<td>• Generali AuM</td>
<td>23</td>
</tr>
<tr>
<td>• Generali Lloyd</td>
<td>14</td>
</tr>
<tr>
<td>• Allianz (Germany)</td>
<td>298</td>
</tr>
<tr>
<td>• RAS</td>
<td>217</td>
</tr>
<tr>
<td>• AGF Belgium</td>
<td>0</td>
</tr>
<tr>
<td>• AGF France</td>
<td>0</td>
</tr>
<tr>
<td>• Vereinte</td>
<td>66</td>
</tr>
<tr>
<td>• AXA France</td>
<td>1</td>
</tr>
<tr>
<td>• AXA Colonia</td>
<td>64</td>
</tr>
<tr>
<td>• Winterthur</td>
<td>7</td>
</tr>
<tr>
<td>• Zurich</td>
<td>20</td>
</tr>
<tr>
<td>• Claims Resolution Tribunal</td>
<td>28</td>
</tr>
<tr>
<td>• SJOA</td>
<td>31</td>
</tr>
<tr>
<td>• Austrian General Settlement Fund</td>
<td>1,769</td>
</tr>
<tr>
<td>• GDV</td>
<td>2,100</td>
</tr>
<tr>
<td>• Participating Non-MOU companies(^{(a)})</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Surplus matches(^{(b)})</th>
<th>1,930</th>
</tr>
</thead>
<tbody>
<tr>
<td>Matches ready to be sent to companies/organizations(^{(c)})</td>
<td>427</td>
</tr>
<tr>
<td>Matches sent to companies/organizations</td>
<td>3,157</td>
</tr>
<tr>
<td>• Matches resulting in offers</td>
<td>419</td>
</tr>
<tr>
<td>• Matches resulting in denials(^{(d)})</td>
<td>288</td>
</tr>
<tr>
<td>• Matches awaiting decisions</td>
<td>2,450</td>
</tr>
</tbody>
</table>

| Matches awaiting distribution                      | 1,894 |

\(^{(a)}\) The decrease in this category since the May 2004 Quarterly Report is attributable to the re-designation of several formerly non-MOU companies as MOU companies.

\(^{(b)}\) To maximize operational efficiency and minimize duplication of efforts, in the following limited circumstances, match information is deemed surplus and thus not forwarded to companies/organizations:

- Instances where the exact same information/document constituting the match has already been provided by the claimant and forwarded to the company.

\(^{(c)}\) Transmission of copies of research documents and claim files will be greatly enhanced by the DMS.
• Instances where the match information/document pertains to a policy that the claimant indicated was the subject of a previous decision that would render the claim ineligible under ICHEIC guidelines (e.g., a decision under the BEG).
• Instances where the match information pertains to a claim already decided in accordance with ICHEIC guidelines, and the match information would not affect the decision (e.g., a claim is declined based on a claimant’s previous receipt of a payment for a policy [prior to the Holocaust era, under the BEG, in a private legal settlement, etc.] and the match pertains to the same policy).

(c) This figure reflects fully analyzed matches in the final stages of preparation (e.g., copies of claim files and research documents are being made), and whose transmission to companies/organizations is imminent, usually only a matter of days. As such, this figure is highly variable and at any given moment, is often close to zero. The majority of the anomalously large number of 427 matches currently in this category are destined for the GDV, which recently affirmed its responsibility to accept match information. ICHEIC anticipates sending these matches to the GDV in the coming weeks, in keeping with completing distribution of all matches by the end of December 2004.

(d) Due to a typographical error, this number was mis-transcribed in the May 2004 Quarterly Report; instead of 294 it should have appeared as 247. Therefore, 288 represents an increase in this category, rather than a decline. ICHEIC apologizes for this error.

Matching Performed by Companies

To ensure that companies are able to match the maximum amount of available information, ICHEIC has transferred to each company the section of the ICHEIC research database containing records that pertain to that company (as well as any subsidiaries or predecessor companies that fall under each company’s sphere of influence according to the most updated version of the ICHEIC company matrix). Companies have been encouraged to use this research database information to the greatest extent possible, as they would any other source of archival information germane to their decision-making processes.

ICHEIC has underscored to companies that ICHEIC verification will continue to take into account companies’ treatment of matching information, ensuring that companies consider such information in accordance with ICHEIC guidelines.

Matching Between the ICHEIC Claims Database and the German Policyholder Database

This matching project was described in detail in the May 2004 Quarterly Report.

Developments since then and steps forward:

• The pilot comparisons described in the May 2004 Quarterly Report have been completed.

• Three new representatives (from Jewish organizations participating in ICHEIC) have been added to the group that will discuss the results of the pilot comparison and finalize the procedures and protocols for the full matching comparison. This meeting will take place in early November 2004.
• The full matching comparison will then be carried out. It is anticipated to begin in mid-November 2004. Completion of the comparison is projected for mid-February 2005.

• Analysis and sorting of resulting matches, comparison against matches already sent to companies, reproduction of research documents and claim files associated with these matches, and transmission of this information to companies is projected to be completed near the end of the first quarter of 2005.


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**Monitoring Group**

The Monitoring Group carried out in-depth, on-site analyses of the matching procedures utilized by Allianz, Generali, and the Generali Trust Fund, which together are responsible for more than 70% of ICHEIC’s claims. The Monitoring Group reported its findings to Chairman Eagleburger, fulfilling his request that it review internal company matching efforts.

The Monitoring Group’s recommendations included the following points:

• ICHEIC should ensure the accuracy and completeness of electronic claim information forwarded to companies by CLMS.

• ICHEIC should scan all claims in order to facilitate faster and more accurate distribution of copies of claim files to companies.

• ICHEIC should make every effort to ensure that matches between the ICHEIC research database and the ICHEIC claims database reach companies in a timely fashion, so that this information may be further contextualized with information found in internal company records.

• Companies have implemented effective internal matching processes and would do well to document their practices and procedures so as to provide written record of company matching processes.

• Although thorough, manual checking of company records and supplementary public records (e.g. the German state compensation archives) are clearly highly valuable components of companies’ matching processes, ICHEIC and companies should be mindful of methods to improve efficiencies in these research areas, whether by automating tasks or adding staff.
• Whether companies’ internal matching produces positive or negative results, they should be as clear as possible when explaining the results of their internal matching in decision letters to claimants.

At the Chairman’s direction, ICHEIC staff are addressing all of the above issues. This report discusses ongoing implementation of these recommendations in several areas, including the transfer of tasks from CLMS to ICHEIC that the new document management system will allow.

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**Audits**

The structure of the ICHEIC audit process and its separation into Stages 1 and 2 have been described in previous Quarterly Reports, particularly those of May and August 2003. Oversight of audits is the responsibility of the Audit Mandate Support Group (AMSG).

**Stage 1 Audits**

All MOU companies’ operations have been declared Stage 1 compliant, with the exception of Generali. Generali is Stage 1 compliant with respect only to its East European branches and one of three German subsidiaries, as the following status reports indicate.

**Generali**

In the May report, we referred to one of AMB Generali Holding’s subsidiaries in Germany where further work would be required before compliance could be achieved. The company, Volksfürsorge Deutsche Lebensversicherung AG, and its compliance auditors, PwC, carried out detailed analysis of the records in question and agreed with the AMSG on a program of further work. This work has been completed and compliance auditing began on 13 September. We are presently awaiting a supplementary report from our peer review auditor on the work. We expect to grant compliance shortly thereafter. That leaves a third subsidiary in Germany, now named Generali Lebensversicherung AG (formerly Generali Thuringia) and based in Frankfurt, where there have been delays caused by the introduction of a new claims handling system during the summer. We have received a draft compliance report and expect a draft peer review report by 29 October, with a debrief meeting either on 10-11 November or 20-22 December.

Generali’s Italian operations were the subject of a debrief meeting on 1 April, following which Generali undertook to carry out additional work to remedy shortcomings. Generali Managing Director Dr. Perissinotto wrote to Chairman Eagleburger shortly after the meeting saying that the company hoped to conclude the work by the end of May. As of 21 October, that work still had not been completed. Our peer review auditors told us on 28 September that a company manager had indicated that another two weeks would be
needed for the company to complete its work, at which point PwC, the compliance auditors, would be able to begin their review. We have since heard that PwC is working on the review. The Italian operations will be the subject of another debrief meeting once both audit firms have audited the additional work. We have a target date of 20–22 December for this and other debrief meetings.

On Generali’s East European subsidiaries, the company has acted to address the concerns raised at the debrief meeting held in April. Both audit firms have carried out the additional work requested. We recently received a draft peer review report on this additional work concluding that the results were satisfactory. As soon as we have a final, signed report, Generali will be compliant in relation to these subsidiaries.

On Austria, some 1,300 branch records in Vienna, which were found to be relevant and not covered by records in Trieste, were identified for databasing. This work has been done and past claims already decided are being checked against this new database. We now have draft management and compliance reports and await the draft peer review report. We are targeting 20-22 December for a debrief meeting.

On France, we expect draft reports shortly. Our debrief plans have been frustrated by 11 November being a French holiday. We are working to confirm an appropriate date for a debrief session in the near term.

On Belgium, Generali told us that draft management and compliance reports would be ready by the end of September, but as of 25 October none had been received. This severely compromised the peer review auditors’ plans to start work by the beginning of November, with a debrief session in December (see below).

Arranging debrief meetings is invariably a frustrating and prolonged process. Available dates during the rest of 2004 are limited. Consequently the AMSG is charged with identifying appropriate means of conducting debrief sessions, keeping in mind efficiency and cost-effectiveness.

**Winterthur**

Following a Winterthur debrief meeting in November 2001, the company agreed to do further work to ensure its database is as comprehensive as possible. This was a time-consuming process, which resulted in addition of some 200,000 additional names from German subsidiary Deutsche Beamten Versicherung (DBV) to Winterthur’s electronic database. The audits of this work were completed during this quarter and compliance declared on 8 October.
### Availability of Stage 1 Peer Review Reports

<table>
<thead>
<tr>
<th>Company</th>
<th>Draft Peer Review Reports</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generali Germany, AMB Group</td>
<td>Received, N/A</td>
<td>Compliance declared for one company in May, the other is imminent.</td>
</tr>
<tr>
<td>Generali Leben., Germany</td>
<td>October, 29 October</td>
<td>Compliance auditors have identified further work that had been carried out.</td>
</tr>
<tr>
<td>Generali Austria</td>
<td>Mid October, Early November</td>
<td>Compliance auditors have identified further work that has been carried out.</td>
</tr>
<tr>
<td>Generali Italy</td>
<td>Received, but being revised, No date for revision; late November should be possible.</td>
<td>Extensive delays experienced.</td>
</tr>
<tr>
<td>Generali East European Subsidiaries</td>
<td>Received, N/A</td>
<td>Small amount of remedial work done; draft audit report received.</td>
</tr>
<tr>
<td>Generali France</td>
<td>Early October, 29 October</td>
<td>Peer review audit started in August.</td>
</tr>
<tr>
<td>Generali Belgium</td>
<td>December, January</td>
<td>Compliance and Management reports due end September but not received.</td>
</tr>
</tbody>
</table>

*Dates for peer review reports are the dates when ICHEIC might receive drafts of the reports. The debrief meeting then has to be arranged at a date suitable to the AMSG members, and reports made available at least three weeks before the meeting. Achievement of compliance therefore takes, at the very least, another two months after the draft peer review reports are available. After the debrief meeting, there may be requests for additional work to be done, so several more months may pass before a company is deemed compliant.

### Stage 2 Audits

Stage 2 audits cannot begin until compliance has been achieved under Stage 1. Stage 2 audits are carried out by single audit firms appointed by ICHEIC, rather than through the compliance and peer review structure used for Stage 1. The firms review the companies’ handling of claims in accordance with Standard 5 in two phases. Phase 1 can be carried out when at least one third of an insurer’s claims have been processed and Phase 2 follows when substantially all claims have been processed.

10 Standard 5 refers to the insurance companies’ development of expeditious and reasonable systems and procedures for the investigation of all claims received.
Allianz Group

As reported in May, PwC completed its initial fieldwork on Allianz Leben but the checking of past decisions against more recently databased information is delaying the issue of a draft report until December or January. The same will apply for Vereinte, which shares the same claims handling team.

We have recently circulated to the AMSG a draft Stage 2 report on AGF, Allianz’s French subsidiary. At the time of the audit, the company had processed some two thirds of all claims received and PwC recommended that, given the positive outcome of the first audit (Phase 1), further work be based on more limited sampling to ensure that all claims notified by CLMS had been processed in accordance with agreed procedures.

PwC has completed fieldwork on RAS in Italy and we expect a draft report very shortly.

Generali

Deloitte & Touche has completed its fieldwork on the Generali claims handling operation in Trieste, which covers Italy (other than Alleanza) and all overseas branch records. The Trieste operation decided claims on branches (some of which are still to be decided) before the GTF (see below) took over claims processing in October 2001. German policies continued to be handled by the Generali group, in expectation of the arrangements subsequently embodied within the Tripartite Agreement. Trieste also provides information from its records to the GTF and certain subsidiary companies on request. We expected a first draft report by 17 September but the auditors have delayed its submission until they also have the draft report on the GTF available. Informal feedback from the auditors has been extremely favorable with respect to Generali’s handling of these policies.

AXA

Ernst & Young started the Stage 2 audit on AXA Colonia in the week beginning 11 October, and plans to start on AXA France by 1 November at the latest.

Zurich

We had planned to start Stage 2 in October, but ICHEIC auditors, PKF, postponed the start because of the delays in concluding work at the German-speaking Generali companies at Stage 1, where the same team is deployed. PKF is deploying additional resources and has planned to start in November.

Winterthur

Winterthur is keen to start Stage 2 as soon as possible, targeting a December start with a view to concluding Phase 1 by March 2005. ICHEIC is carrying out a selection process with Winterthur to choose a new auditor for Stage 2. We expect to have such auditor by month’s end.

Generali Trust Fund (GTF) Audit

Deloitte & Touche has completed its fieldwork into the compliance of the GTF with ICHEIC standards and rules. The plan was to have a draft report by 17 September, but the auditors have identified a significant number of issues to investigate. As a result, receipt of a draft report was delayed, though ICHEIC staff have been briefed on its preliminary conclusions. The draft audit report is currently being reviewed for factual errors by the GTF and Generali before release to ICHEIC.

Audits of non-MOU German Companies

After the delays reported in the May 2004 Quarterly Report, the first two audits were carried out in June. The next was carried out at the end of August and the last is scheduled to be completed by early December. ICHEIC picked up the pace for these audits by engaging a second observer so audits could be run concurrently rather than consecutively. The BaFin is due to issue compliance statements for each company upon compliance and to issue an overall report, without naming companies, at the end of the process.

Audit Timeline

We intend to conclude Phase 1 of Stage 2 audits as quickly as possible so that any shortcomings can be corrected promptly. On the assumption that all Generali companies will be declared Stage 1 compliant by the end of 2004 (a material assumption), and assuming that Stage 2 audits proceed without delay, Phase 1 of Stage 2 could be completed by April 2005. In the past, the AMSG has required companies to carry out further work following the debrief meeting for Stage 1. Such further work has often taken several months without necessarily materially increasing the number of matches found. We will do everything possible to ensure such additional work is not necessary with respect to reaching compliance on the remaining units of Generali, as we cannot afford a commensurate delay in starting Stage 2 audits for those components.

Those companies, such as AGF, which have processed some two thirds of their claims at the time of the first audit and have received an unqualified (i.e. “clean”) audit report, may need only a minimal further check by way of a Phase 2 audit to conclude the process.

12 Except Zurich, for which no such request was made.
So far as other companies such as Allianz Leben with Vereinte, and Generali East European branches are concerned, Phase 1 of Stage 2 should be completed by January of 2005. Phase 2 completion will depend on how quickly companies process remaining claims. The GTF represents an unanswered question at the time of writing.

### Appeals

The Appeals Office has received 582 appeals as of 1 October 2004, an increase of 96 since the last Quarterly Report. Decisions have been made on 380 appeals, leading to award payments of $1,806,567 in 138 cases. In an additional 77 appeals, the arbitrator(s) recommended that the case be considered under the ICHEIC humanitarian claims process. In a further 23 cases, the appeals were settled prior to the arbitrator’s decision, resulting in claimant payments of $177,977.

The breakdown of appeals by company is as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Appeals Tribunal</th>
<th>Appeals Panel</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Awards</td>
<td>Dismissals</td>
</tr>
<tr>
<td>Allianz</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Allianz RAS</td>
<td>105</td>
<td>108</td>
</tr>
<tr>
<td>AXA France</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>AXA Colonia</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>GDV(c)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Winterthur</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Zurich</td>
<td>11</td>
<td>16</td>
</tr>
</tbody>
</table>

(a) The Tribunal has jurisdiction over MOU companies AXA, Winterthur and Zurich. The tribunal also has jurisdiction over Allianz cases prior to 16 October 2002, the date that the Tripartite Agreement was signed.
(b) The Appeals Panel is responsible for all German insurance company decisions including those of Allianz issued after 16 October 2002.
(c) These figures refer to blocked account cases and other non-MOU companies in the GDV.

Further information can be found in the quarterly reports issued by the Appeals Tribunal and Appeals Panel. These are available on the ICHEIC website at [http://www.icheic.org/docs-appeals.html](http://www.icheic.org/docs-appeals.html).

### Communications

ICHEIC’s website, [www.icheic.org](http://www.icheic.org), remains a major means of communication with claimants and ICHEIC representatives. The website includes regular statistical reports, past quarterly reports, and detailed information on the claims process.
Companies communicate directly with claimants for claims that name a particular insurer (named claims). ICHEIC is responsible for communicating with claimants for claims that do not name a particular insurance company (unnamed claims). In early August 2004, ICHEIC initiated efforts to communicate to certain claimants that we had not identified any relevant ICHEIC insurance company/policy that “matched” with the information they had provided and/or that ICHEIC had researched, and thus we were closing the relevant claim file. We sent approximately 4,000 closeout letters to claimants with unnamed claims. The claims referenced in these closeout letters were reviewed against the ICHEIC research database. ICHEIC will be sending additional closeout letters in the coming months as we complete matching work on all remaining unnamed claims.

The new ICHEIC Call Center handled an increased volume of calls following the closeout mailing. As ICHEIC works to provide closure on claims still under investigation in the ICHEIC claims process, the Call Center will continue to assist claimants as additional closeout letters, humanitarian award letters, and other forms of correspondence are distributed in 2004 and 2005.

### Humanitarian Claims Process

**Unnamed and presently unmatched claims (8A1)**

**Tranche 1 Payment: $16 Million**

Under Section 8A of the ICHEIC Memorandum of Understanding, the ICHEIC humanitarian claims process has distributed approximately $16 million in humanitarian payments on a per claimant basis to ICHEIC claimants with eligible unnamed and unmatched claims. Since the initial distribution of approximately $16 million, ICHEIC has worked to address those limited cases where 8A humanitarian awards did not reach the intended recipient. This work is ongoing.

**Tranche 2 Payment**

ICHEIC is building resources to handle a second large-scale processing of additional unnamed and presently unmatched claims eligible for review in the 8A Humanitarian Claims Process. Acting upon an Operations Committee recommendation, ICHEIC is including in the 8A1 review claims that name a particular insurer but for which the named company has been unable to find a match against its records (so-called “named, no match” claims). These claims will be eligible for an 8A1 award based on the evaluation of the anecdotal evidence included in the claims. Claimants who have already received a $1,000 humanitarian award through the 8A process are not eligible for a second award, since these awards are provided on a per claimant basis.
Named Claims on Nationalized/Liquidated/No Found Successor Companies (8A2)

ICHEIC is evaluating information provided in claims on companies in Eastern Europe that were nationalized, liquidated, or where there is no found successor company.

In a pilot project begun in June, ICHEIC has reviewed approximately 600 out of approximately 5,000 such claims. The pilot was intended to identify whether sufficient information existed to make a humanitarian award on a particular policy in accordance with the ICHEIC Relaxed Standards of Proof and Valuation Guidelines. This pilot review has, to date, resulted in the distribution of approximately $2.3 million in offers on a per policy basis to ICHEIC claimants worldwide.

In early October, members of the Washington and London ICHEIC staff analyzed the ICHEIC research database to identify documents that may relate to policies issued by Eastern European companies that have been nationalized, liquidated or for which there is no found successor company. As mentioned in previous reports, the research database includes all documents found by ICHEIC through the archival research process. Documents that could potentially support existing claims in the Eastern European claims process or previously non-eligible 8A2 claims were identified and will be sent to the Eastern European claims review team.

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**Humanitarian Allocations**

ICHEIC has committed $132 million (to the extent ultimately available) of the humanitarian funds received from the German Foundation “Remembrance, Responsibility, and the Future” for Jewish victims of Nazi persecution worldwide. This allocation provides social welfare benefits, including homecare, to survivors in need.

The Claims Conference distributed the 2003 allocation of $15 million and has been contracted to distribute the 2004 and 2005 allocations of $17 million each.

ICHEIC is also funding two pilot projects. The first is the Service Corps, which engages university students in service to their local survivor population. ICHEIC committed $596,000 to an 18-month pilot in Miami and New York. If the pilot is successful, the Service Corps could be expanded to other communities with willing universities and large survivor populations.

At the University of Miami, twenty students have enrolled in the program for the fall semester. They have been matched with survivors and have started their weekly visits. These students take classes in Jewish studies and also participate in academic training directly related to their visiting experiences, by learning the history behind survivors’ experiences and reporting on their weekly visits.
In New York, the Service Corps is operating under the direction of Hillel and includes students from six participating universities and colleges: Columbia University, New York University, Brooklyn College, Queens College, Baruch College, and Hunter College. Students in New York can earn academic credit for their participation in the Service Corps, but they are not required to take specific courses in Jewish studies. Hillel has recruited approximately 50 students for the New York program. Roman Kent recently made a presentation at New York University for an event that was particularly for the students participating in the program, but was open to all university students. We are hopeful that Mr. Kent’s presentation and his active participation will encourage other students to join the program in future semesters.

ICHEIC has hired an independent firm to assess these Service Corps pilots, and their report is expected sometime after the fall 2004 semester. If the pilot projects are successful, ICHEIC may commit up to $10 million to extend and expand this program.

The Jewish Agency developed and executed the second pilot project, a Jewish heritage education program for youth in the countries of the Former Soviet Union (FSU). This program would host intensive summer retreats for youth, where they would learn about Jewish culture, traditions, and history with a special focus on Holocaust remembrance.

ICHEIC committed $975,000 to fund the pilot year of this program, plus the cost of an independent assessment. The Jewish Agency’s original proposal requested funding for four more years of the program (including sites in St. Petersburg, Moscow, and Kiev) for an additional cost of $9.275 million.

The pilot was held in July 2004. Nearly 600 children were hosted at the camp. Given that ICHEIC did not commit this funding until December 2003 for a program that was to run the following summer, the Agency was at a disadvantage with regard to its ability to find and secure adequate facilities and number of staff. The independent assessment ICHEIC received indicated that the program has great merit, but that another pilot year was in order to process the lessons learned in this initial pilot year, secure an adequate facility and enlist additional staff, and allow the Agency and camp staff to focus on program enhancement. As a result, it is our plan to fund an additional pilot year in St. Petersburg. ICHEIC plans to enlist the services of the independent assessment firm again and to have the firm oversee the planning as well as execution of next summer’s program.

In July 2004, Chairman Eagleburger announced the formation of an advisory committee on humanitarian projects. Israel Singer chairs the committee, and its members are Moshe Sanbar, Roman Kent, and Bobby Brown. The committee will provide a forum for the Jewish representatives to advise ICHEIC on the use of humanitarian funds. The committee may propose projects for ICHEIC approval or comment on proposals made by others. The advisory committee does not replace the present ad hoc method of proposing projects or limit the right of any member of ICHEIC to make a proposal.
The Investment Committee has met twice since the publication of the last quarterly report and has made considerable progress with regard to the determination of the most appropriate investment vehicles for the ICHEIC funds.

The primary objectives of the ICHEIC investment portfolio, in order of importance, are to:

- Preserve capital and safety of principal.
- Maintain liquidity to meet operational needs of ICHEIC.
- Generate favorable yields within the limitations of these investment guidelines and relative to market conditions.

Within these rather narrow parameters, the Investment Committee made determinations with regard to how the funds should be managed, and ICHEIC is currently soliciting bids from various investment firms to execute the purchase of securities on behalf of ICHEIC at the lowest possible cost.

The Financial Administrative Advisory Committee (FAAC) has been focused primarily on the development of the closedown plan and budget. The FAAC held a meeting via conference call in late September for the purpose of reviewing a preliminary closedown budget, and provided input to take into consideration as this budget is refined. The FAAC are to meet again on 5 November for a second review in preparation for the review of the closedown budget that will be presented to the full ICHEIC at the 16 November 2004 meeting.