



Accountants &
business advisers

International Commission on Holocaust Era Insurance Claims
1 Waterhouse Square
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London
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Our ref: RRW/HMJ/cr

7 July 2005

Dear Sirs

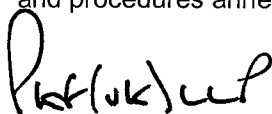
Report to The International Commission on Holocaust Era Insurance Claims in respect of Zurich Insurance Company's Compliance with the Stage 2 Audit Requirements

In accordance with the engagement letter from you dated 1 December 2004, we have reviewed the processing of claims by Zurich ("the Insurer") under Standard Five of the five audit standards promulgated by ICHEIC and taking into account certain additional ICHEIC standards and procedures annexed to the engagement letter which cover standards of proof and valuation guidelines. A summary of our work is set out in the Appendix accompanying this report.

We reported to you as the Stage 1 peer review auditor on the compliance reports issued by PricewaterhouseCoopers and Arthur Andersen into Insurer's compliance with Standards 1 – 5 in a report dated 14 December 2001 and, whilst we have not repeated any of the work carried out at that time, nothing has come to our attention to indicate that Insurer is not still in compliance with those standards.

Our opinion, which is set out below, is not in any way a guarantee as to the conduct of Insurer in respect of any particular insurance policy or claim thereon at any time or in any particular circumstances.

Based on the work performed by us referred to above, in our opinion Insurer has processed claims sent to it by, or on behalf of, ICHEIC in accordance with ICHEIC Audit Standard 5 and the additional standards and procedures annexed to the engagement letter


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Stage 2 Audit ~ Overview of audit approach

We adopted a risk based audit approach that concentrates audit resource on those areas of Zurich's claims investigation and claims handling procedures that are at greatest risk of giving rise to an incorrect decision, and those areas specifically identified in the letter of engagement for testing.

To develop our risk based audit approach, we reviewed the specific testing requirements set out in the letter of engagement and we undertook a detailed risk assessment and controls evaluation of the claims investigation search process CISP. As part of this assessment we confirmed with management the current operation of CISP and we performed "walk through procedures" to confirm that the system was operating as it had been described. We also compared the current operating system to that which was operating up to the date of our Stage 1 peer review in 2001.

As was established during the Stage 1 audit and peer review process, the above risk assessment and control evaluation identified that CISP is built around an electronic system that is heavily dependent on electronic search tools and electronic controls. In recognition of the importance of the electronic search tools and electronic controls inherent in CISP, we undertook extensive Computer Assisted Audit Techniques ("CAATs") to confirm:

- the integrity of the application software;
- the security of the claims investigation search process and the underlying data; and
- the proper operation of the described key electronic functions of CISP (eg. searching against key fields, name variation and the operation of country filters).

The results of our CAATs were complemented by more traditional substantive and compliance based audit procedures through testing a statistical sample of 285 claims taken from the total population of claims received by Zurich. The principal objectives of these traditional audit procedures were to provide added assurance on the veracity of the results from the extensive CAATs procedures and to test that when human intervention became necessary (as set out in the procedures manual), the relevant team members consistently and correctly followed the stated procedures. This testing also included the reperformance of the application of the valuation guidelines for a sample of that equates to 33% of the total population of offers made.