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AUDIT WIRTSCHAFTS - TREUHAND GMBH

THE INTERNATIONAL COMMISSION
ON HOLOCAUST ERA INSURANCE CLAIMS

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 1999

WITH INDEPENDENT AUDITORS' REPORT



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

Finance and Administration
Advisory Committee

INDEPENDENT AUDITORS' REPORT

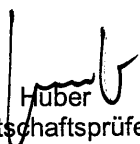
We have audited the consolidated balance sheet of The International Commission on Holocaust Era Insurance Claims as of December 31, 1999 and the related statement of income and retained results. These financial statements are the responsibility of the Commission's management. Our responsibility is to 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, 1999 and the results of its operations in conformity with generally accepted accounting principles.

A W T
AUDIT WIRTSCHAFTS - TREUHAND GMBH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT


Brauner
Wirtschaftsprüfer


Huber
Wirtschaftsprüfer

May 3, 2002

THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA INSURANCE CLAIMS

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1999

ASSETS	<u>1999 Notes</u>	<u>1999 US \$'000</u>
Fixed Assets		
Furniture, fittings etc.		32
Office equipment		<u>147</u>
Total Fixed Assets	1	<u>179</u>
Current Assets		
Receivables	2	389
Deposits		2
Current accounts and cash		<u>6.841</u>
Total Current Assets		<u>7.232</u>
Current Liabilities		
Creditors and accruals		<u>178</u>
Total Current Liabilities		<u>178</u>
Net Current Assets		<u>7.054</u>
Total Assets less Current Liabilities		<u>7.233</u>
Represented by Equity		
Capital contributions	3	16.265
Loss for the period		<u>(9.032)</u>
Net Equity		<u>7.233</u>

THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA INSURANCE CLAIMS

CONSOLIDATED STATEMENT OF INCOME AND RETAINED RESULTS

DECEMBER 1, 1998 TO DECEMBER 31, 1999

	<u>1998/1999</u> <u>Notes</u>	<u>1998/1999</u> <u>US \$'000</u>
Income		
Interest income		<u>290</u>
Total Income		<u>290</u>
Expense	4	
Outreach	5	(4.502)
Claims	6	(607)
Appeals	7	(10)
Research	8	(66)
Audit	9	(195)
Commission	10	(2.236)
General and administration	11	<u>(1.575)</u>
Total Divisional Expense		(9.191)
Depreciation	1	(52)
Foreign exchange losses	12	<u>(79)</u>
Total Expense		(9.322)
Loss for the Period		<u>(9.032)</u>

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

Notes to Accounts for the year ended December 31, 1999

1. Accounting Policies

The ICHEIC was established in 1998 and its first transactions occurred in December of that year. Accordingly, these accounts are for the 13 months ended December 31, 1999.

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 received. No policy as to the recognition of trading income is therefore required.

Costs and expenses have been recognized when 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. As at December 31, 1999 the trust's funds amounted to \$30.7 million.

2. Receivables

Receivables represents costs of auditing company members' compliance with the ICHEIC's five standards pertaining to the handling of claims. These costs were all reimbursable by the insurance companies.

3. Capital Contributions

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

Expense headings

4. 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.
5. **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.
6. **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.
7. **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.
8. **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.
9. **Audit** is the cost of auditing member companies' compliance with the ICHEIC's standards, excluding audit fees which are met by the member companies.
10. **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.
11. **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.
12. **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.