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AUDIT WIRTSCHAFTS - TREUHAND GMBH

THE INTERNATIONAL COMMISSION
ON HOLOCAUST ERA INSURANCE CLAIMS

FINANCIAL STATEMENTS

AS OF

DECEMBER 31, 2002

WITH INDEPENDENT AUDITORS' REPORT

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AUDIT WIRTSCHAFTS - TREUHAND GMBH

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, 2002 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, 2002 and the results of its operations in conformity with Swiss accounting principles.

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AUDIT WIRTSCHAFTS - TREUHAND GMBH
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

Brauner
Wirtschaftsprüfer

Huber
Wirtschaftsprüfer

May 28, 2003

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 AUDIT WIRTSCHAFTS - TREUHAND GMBH
THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA INSURANCE CLAIMS

CONSOLIDATED STATEMENT OF ACTIVITIES

JANUARY 1, 2002 TO DECEMBER 31, 2002

(All amounts in thousands of US Dollars)

(Prior year for comparison)

	Unrestricted	Temporarily Restricted	Funds Held in Trust	Totals	
				2002	2001
Income and Receipts					
Foundation Agreement					
Claims & expenses	-	30.000	70.377	100.377	-
Humanitarian	-	30.000	145.659	175.659	-
Generali Agreement					100.000
Interest income	3.326	-	-	3.326	2.301
Net assets released from restriction	10.612	(10.612)	-	-	-
Total income and receipts	13.938	49.388	216.036	279.362	102.301
Operating expenses:					
Outreach	-	-	-	-	26
Claims	4.257	-	-	4.257	8.410
Appeals	147	-	-	147	176
Research	636	-	-	636	721
Audit	159	-	-	159	273
Commission	1.749	-	-	1.749	1.734
General and administrative	1.486	-	-	1.486	2.721
Humanitarian	40	-	-	40	-
Total operating expenses	8.474	-	-	8.474	14.061
Change in net assets from operations	5.464	49.388	216.036	270.888	88.240
Peer review audit fees (covered by capital contributions)	(3.480)	-	-	(3.480)	-
Reserves for claims payments and humanitarian commitments	-	(30.000)	(199.321)	(229.321)	(73.110)
Claims paid or reimbursed	-	-	(16.715)	(16.715)	(11.890)
Realized foreign exchange gains (losses)	(155)	-	-	(155)	(10)
Depreciation	(87)	-	-	(87)	(65)
Income and receipts in excess of expenses	1.742	19.388	-	21.130	3.165

See accompanying notes to consolidated financial statements.

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AUDIT WIRTSCHAFTS - TREUHAND GMBH

THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA INSURANCE CLAIMSCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2002(All amounts in thousands of US Dollars)

(Prior year for comparison)

Assets	Unrestricted	Temporarily Restricted	Trust Funds	Totals	
				2002	2001
Current assets:					
Cash and cash equivalents	13.305	67.995	287.045	368.345	92.853
Receivables	35	-	-	35	2.294
Other current assets	40	-	-	40	30
Total current assets	13.380	67.995	287.045	368.420	95.177
Fixed assets, net	17	-	-	17	98
Total assets	13.397	67.995	287.045	368.437	95.275
Liabilities and Net Assets					
Current liabilities:					
Accounts payable and accrued expenses	1.271	-	-	1.271	1.421
Advances from members	-	-	-	-	2.351
Current portion of long term commitments - claims and humanitarian	-	15.000	170.432	185.432	16.715
Total current liabilities	1.271	15.000	170.432	186.703	20.487
Provisions for claims payments	-	-	-	-	56.395
Long term portion of humanitarian commitment	-	15.000	102.000	117.000	-
Total liabilities	1.271	30.000	272.432	303.703	76.882
Net assets	12.126	37.995	14.613	64.734	18.393
Commitments and contingencies					
Total liabilities and net assets	13.397	67.995	287.045	368.437	95.275

See accompanying notes to consolidated financial statements.

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 AUDIT WIRTSCHAFTS - TREUHAND GMBH
THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA INSURANCE CLAIMS

CONSOLIDATED STATEMENT OF NET ASSETS

JANUARY 1, 2002 TO DECEMBER 31, 2002

(All amounts in thousands of US Dollars)

(Prior year for comparison)

	Unrestricted	Temporarily Restricted	Funds Held in Trust	Totals	
				2002	2001
Net assets at beginning of year	3.393	15.000	-	18.393	4.972
Income and receipts in excess of expenses	1.742	19.388	-	21.130	3.165
Unrealized foreign exchange gains	461	3.607	14.613	18.681	-
Equity contributions					
Bermuda Trust	3.500	-	-	3.500	5.000
MOU companies	3.030	-	-	3.030	5.256
Change in net assets	8.733	22.995	14.613	46.341	13.421
Net assets, end of year	12.126	37.995	14.613	64.734	18.393

See accompanying notes to consolidated financial statements.

The International Commission on Holocaust Era Insurance Claims

Notes to Consolidated Financial Statement

1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

The International Commission on Holocaust Era Insurance Claims (ICHEIC) was established in October of 1998 by the National Association of Insurance Commissioners in cooperation with several European insurance companies, European regulators, representatives of several Jewish organizations, and the State of Israel. The Commission is charged with establishing a just process that will expeditiously address the issue of unpaid insurance policies issued to victims of the Holocaust.

ICHEIC operations are funded by contributions from member companies and settlements from certain restitution organizations. ICHEIC has no additional sources of funds or revenue, other than interest on deposits and bank accounts, and annual dues of a nominal amount, which are recognized when due.

The accounts consolidate the results of ICHEIC with those of its wholly owned subsidiary, the International Commission on Holocaust Era Insurance Claims LLC ("ICHEIC LLC"), incorporated in Delaware, for the operations of the Washington office.

The assets, liabilities and financial activities of ICHEIC are classified based on the existence or absence of imposed restrictions on the funds received. Accordingly, the net assets of ICHEIC are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any imposed restrictions.

Temporarily restricted net assets – Net assets subject to restrictions imposed by the contributor on their use that may be removed either by actions of ICHEIC or the passage of time.

Trust funds – Net assets that are held by ICHEIC in trust for the payment of claims.

The consolidated financial statements are presented with certain prior year summarized comparative information. Accordingly, such information should be read in conjunction with the ICHEIC's consolidated financial statement for the year ended December 31, 2001, from which the summarized information was derived.

In 2001, the Generali Deposit was treated as a separate trust. As explained in note 5, the assets and liabilities to disburse have been incorporated within ICHEIC's accounts for 2002. The comparative figures have therefore been restated to reflect the effect of this change had it applied in 2001.

Costs and expenses have been recognized as incurred.

The member companies of ICHEIC have contributed funds to a special purpose trust in Bermuda which is under the control of ICHEIC's Chairman. Under the trust deed, the Chairman of 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 ICHEIC. The purpose of the trust is to assist in the resolution of insurance claims through ICHEIC 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 US \$ 30 million. Income is accumulated. During 2002, US \$ 3.5 million was transferred to ICHEIC and has been included under capital contributions. As at December 31, 2002, the trust's funds amounted to US \$ 26.1 million.

These accounts have been prepared in accordance with Swiss accounting standards.

Foreign Currency Translation

The financial statements are presented in US dollars. ICHEIC has liabilities and long term obligations in various currencies and holds its liquid assets in the best estimate of the currencies in which these obligations will be paid. Assets and liabilities denominated in currencies other than US dollars are converted at rates of exchange prevailing at year-end. Non-US dollar currency transactions are converted at the rates of exchange prevailing during the year and are reflected in the Statement of Activities.

The currency translation adjustment arising on consolidation, which does not represent a realized gain or loss, is recorded directly to the Net Assets of ICHEIC.

Use of Estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

Cash Equivalents

ICHEIC considers all highly liquid investments purchased with an average maturity of three months or less to be cash equivalents. Cash equivalents consisted of money market mutual funds of approximately US \$ 368 million and US \$ 93 million as of December 31, 2002 and 2001.

Income Taxes

The ICHEIC has been advised that it does not have any Swiss or UK tax obligation. ICHEIC LLC is a foreign corporation for US tax reporting purposes.

Fixed Assets

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

2. Receivables

The 2001 accounts receivable represents costs of auditing member companies' compliance with ICHEIC's five standards pertaining to the handling of claims. At that time, there was uncertainty as to whether the member companies would bear all or part of these costs or whether they would be borne by ICHEIC. Accordingly, the audit costs were shown as receivables rather than charged as an expense. The insurers meanwhile funded the peer review audit costs by providing advances to ICHEIC.

During 2002, the member companies agreed to bear the cost of these audits, and thus converted their advances to capital contributions (Note 3). These accounts therefore reflect this conversion and the receivables have been charged to peer review audit fees (covered by capital contributions) in the Statement of Activities.

3. Advances from Members

In 2001, these represented advances from insurance company members to fund the cost of the peer review audits. As described in note 2, these advances were converted into capital contributions in 2002.

4. The German Foundation Agreement

ICHEIC signed an agreement with the Foundation "Remembrance, Responsibility and the Future" ("Foundation") and the German Insurance Association ("GDV") (the "Agreement") on October 16, 2002 regarding the settlement of individual claims on unpaid or confiscated and not otherwise compensated policies of German insurance companies. To achieve this purpose, and to provide up to US \$ 30 million towards certain of ICHEIC's operating expenses, the Foundation agreed to transfer to ICHEIC the sum of Euro 102,258,376 (the "Claims and Expenses Fund").

The Agreement also provided for a payment by the Foundation to the Humanitarian Fund of ICHEIC. A further Euro 178,952,160 was transferred to be used for specified humanitarian purposes, some of which are at the discretion of ICHEIC (the "Humanitarian Fund").

These sums were received on October 17, 2002.

According to the agreement, the Claims & Expenses Fund is to be used:

- To fund 50% of actual ICHEIC operating expenses (as defined) from January 1, 2001 until termination (with a cap of US \$ 30 million);
- For the payment of insurance claims –
 - To prefund German insurance companies for claims to be paid by them from October 16, 2002 in accordance with the Agreement and
 - To reimburse German member companies for ICHEIC claims that were paid by them prior to October 16, 2002.

Amounts released from the Claims and Expenses Fund for ICHEIC operating expenses totaled US \$ 10.6 million for the two years ended December 31, 2002.

Any surplus in the Claims and Expenses Fund after all approved claims and costs have been met, shall be used for humanitarian purposes, at ICHEIC's discretion.

With the exception of US \$ 30 million to be used for ICHEIC operating expenses, which is classified as temporarily restricted, the Claims & Expenses Fund is classified as Assets Held in Trust as ICHEIC does not exercise discretion over the payment of claims.

The German Foundation Agreement stipulates that the Humanitarian Funds are to be used:

- At ICHEIC's discretion, for the payment of claims against unknown or no longer existing insurance companies and their subsidiaries (known as "8A Claims", based on Section 8A of the MOU which describes such payments);
- For the payment of claims on insurance policies whose proceeds were transferred to blocked accounts (blocked account claims);
- For the payment of the difference between the calculated value and the minimum payment as described in the Agreement (top up payments);
- At the discretion of ICHEIC, for the benefit of needy victims of the Holocaust and for other Holocaust-related humanitarian and educational purposes; and
- At the discretion of ICHEIC, for the payment of costs related to the administration of the funds.

The first priority for the Humanitarian Funds will be to satisfy the obligations for blocked account claims, top up payments and claims against unknown or no longer existing insurance companies.

ICHEIC has committed up to US \$ 132 million of the remaining Humanitarian Funds, to the extent available, to social welfare programs for needy Holocaust victims worldwide. These funds are to be distributed over 10 years.

No other commitments of Humanitarian funds have been made at this time.

ICHEIC expects to make disbursements from these funds over a period of years. However, except in the case of the US \$ 132 million commitment to social welfare programs, there is no method whereby the timing of payments can be established. Accordingly, with the exception of this commitment, all amounts have been treated as payable within one year.

5. The Generali Fund

In November 2000, ICHEIC entered into an agreement with Assicurazioni Generali S.p.A. ("Generali"), a member company, regarding the payment of claims under the ICHEIC process and which required Generali to transfer the sum of US \$ 100 million to ICHEIC to be used for the payment of claims on Generali's Holocaust-era insurance policies and for humanitarian purposes ("the Generali Deposit"). This sum (subject to certain adjustments) was transferred to ICHEIC on July 10, 2001.

The principal of the General Deposit is not available to fund the operations of ICHEIC, but must be used for the payment of claims, with the exception of US \$ 15 million, which is currently available for humanitarian purposes. In the 2001 financial statements, all funds were treated as a constructive trust and not included in ICHEIC's balance sheet; a separate receipts and payments account was attached as an annex.

In 2002, given the similarities with the purposes and structures of the Foundation Agreement funds, the Generali Deposit has been incorporated within ICHEIC's balance sheet so as to provide consistency in accounting treatment with the Foundation Agreement funds. This constitutes a change in treatment from 2001 but there is no change in the use to which the Generali funds may be put. The comparative figures for 2001 have been restated accordingly.

Generali also established the Generali Fund in Memory of the Generali Insured in East and Central Europe Who Perished in the Holocaust ("the Generali Trust") which, in 2001, ICHEIC appointed to handle claims on Generali. ICHEIC is committed to contribute towards the overhead costs of the Generali Trust, currently at a level of US \$ 1.15 million annually, through approximately the first quarter of 2005, subject to semi-annual review. Such contributions are treated as claims handling expense.

6. Capital Contributions

Capital Contributions are contributions made to fund ICHEIC by its members and related parties.

7. Operating Expenses

ICHEIC's costs have been allocated in the Statement of Activities to the expense categories described below.

Outreach is the cost of extensive and far reaching advertising, presentations and publicity campaigns in more than 40 countries to alert potential claimants to the opportunity made available by ICHEIC.

Claims is the cost of processing incoming claims/inquiries and includes the costs of the outsourced claims processing service provider, translations, and the toll-free telephone help lines. Approximately 89,000 claims/inquiries had been received through December 2002, 58,600 of which are within ICHEIC's jurisdiction.

Appeals is the cost of providing an appeal service to claimants whereby claimants have an opportunity to appeal the decisions made by the insurers in response to their claims.

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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 also included under this heading.

Audit is the cost of auditing member companies' compliance with ICHEIC's standards, excluding fees payable to audit firms.

Commission includes ICHEIC members' expenses, mostly for travel and accommodation (not all members claim for reimbursement), the cost of Commission meetings, legal fees and the direct costs of the Chairman, Vice Chairman, Chief Operating Officer and Chief of Staff.

General and administration includes the cost of ICHEIC's operations including personnel (except those dedicated to specified cost centers), office rent, outsourced accounting services, Chief Financial Officer, the financial audit, unallocated communications and other office expenses.

Humanitarian expenses are the costs of due diligence to enable ICHEIC to gain proper insight with regards to the distribution of the Humanitarian Funds.

Peer review audit fees (covered by capital contributions) are the fees paid to audit firms to carry out peer review audits. In 2001, the cost of the audit fees was treated as receivables pending the outcome of negotiations (Note 2).

Net assets released from restriction are the amounts which ICHEIC has received from German Foundation Funds towards certain of its operating costs under the German Foundation Agreement. The amount shown of US \$ 10.612 million relates to 2001 and 2002.

Claims (paid) or reimbursed are the amounts paid to intermediaries for the purpose of funding claims against member companies. In 2001 and 2002, all amounts paid were to the Generali Trust Fund, and ICHEIC utilised the Generali Deposit to cover the amounts paid. The amount shown for 2002 of US \$ 16.715 million includes US \$ 10 million withdrawn from the Generali Deposit in 2001 but paid to the Generali Trust Fund in 2002.

8. Commitments and Contingencies

The November 2000 agreement between ICHEIC and Generali provides that should Generali have claims, judgments and/or settlements resulting from any litigation of administrative proceeding against the company in respect of Holocaust-era insurance policies or related claims, Generali shall be reimbursed by ICHEIC out of the balance of the Generali Deposit. The Agreement also states that Generali is not to enter into a settlement of litigation that would be reimbursable without prior approval from ICHEIC, not to be unreasonably withheld.

Generali has informed ICHEIC that two class action and several individual lawsuits are pending. The amount of any judgement or settlement is not known at this time.

ICHEIC leases certain buildings and equipment for use in its operations. The future rental payments under operating leases total US \$ 265,673 for 2003, US \$ 268,323 for 2004.

ICHEIC contributes to certain British defined contribution pension schemes, thus, no funding shortfall exists. No retirement benefits are offered to US ICHEIC employees.