

The International Commission On Holocaust Era Insurance Claims And Subsidiary

Financial Report
December 31, 2007

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
The International Commission on
Holocaust Era Insurance Claims
Washington, DC

We have audited the accompanying consolidated statement of financial position of The International Commission on Holocaust Era Insurance Claims and Subsidiary (ICHEIC) as of December 31, 2007, and the related consolidated statements of activities, cash flows, and change in net assets for the year then ended which, as described in Note 1 to the financial statements, have been prepared on the basis of accounting principles generally accepted in Switzerland. These financial statements are the responsibility of ICHEIC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from ICHEIC's financial statements and in our report, dated March 15, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, the 2007 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The International Commission on Holocaust Era Insurance Claims and Subsidiary as of December 31, 2007, and the change in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in Switzerland.

As explained in Note 1 to the financial statements, ICHEIC ceased operations in March 2007.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
July 31, 2008

The International Commission On Holocaust
Era Insurance Claims And Subsidiary

Consolidated Statement Of Financial Position
December 31, 2007
(With Comparative Totals For 2006)

| | (All Amounts In Thousands Of U.S. Dollars) | | | | | |
|---|--|---------------------------|------------------------|---------------|-----------|---------------|
| | 2007 | | | | | 2006 |
| Assets | Unrestricted | Temporarily Restricted | Funds Held In Trust | Total | | Total |
| Cash and Cash Equivalents | \$ 476 | \$ 252 | \$ - | \$ 728 | \$ | 69,046 |
| Investments | - | - | - | - | | 28,277 |
| Other Assets | 18 | - | - | 18 | | 746 |
| | <u>\$ 494</u> | <u>\$ 252</u> | <u>\$ -</u> | <u>\$ 746</u> | <u>\$</u> | <u>98,069</u> |
| Liabilities And Net Assets | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable and accrued expenses | \$ 46 | \$ - | \$ - | \$ 46 | \$ | 14,615 |
| Advances from members | - | - | - | - | | 243 |
| Current portion of commitments: | | | | | | |
| Claims | - | - | - | - | | 15,500 |
| Humanitarian | - | - | - | - | | 29,934 |
| Total current liabilities | <u>46</u> | <u>-</u> | <u>-</u> | <u>46</u> | | <u>60,292</u> |
| Commitments and Contingencies (Notes 2 and 7) | | | | | | |
| Net Assets | 448 | 252 | - | 700 | | 37,777 |
| | <u>\$ 494</u> | <u>\$ 252</u> | <u>\$ -</u> | <u>\$ 746</u> | <u>\$</u> | <u>98,069</u> |

See Note 1 regarding assets of the Bermuda Trust, not included above.

See Notes To Consolidated Financial Statements.

The International Commission On Holocaust
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Consolidated Statement Of Activities
Year Ended December 31, 2007
(With Comparative Totals For 2006)

| | (All Amounts In Thousands Of U.S. Dollars) | | | | |
|---|--|---------------------------|------------------------|--------------------|--------------------|
| | 2007 | | | | 2006 Total |
| | Unrestricted | Temporarily Restricted | Funds Held In Trust | Total | |
| Receipts and revenue: | | | | | |
| Interest income | \$ 2,390 | \$ - | \$ - | \$ 2,390 | \$ 6,757 |
| Net assets released from restriction | 53,880 | (53,880) | - | - | - |
| Funds released from Trust | - | 20,307 | (20,307) | - | - |
| Total receipts and revenue | 56,270 | (33,573) | (20,307) | 2,390 | 6,757 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Claims | 69 | - | - | 69 | 1,809 |
| Humanitarian | 484 | - | - | 484 | 1,292 |
| Commission | 1 | - | - | 1 | 691 |
| Appeals | 32 | - | - | 32 | 2,170 |
| Audit | 5 | - | - | 5 | 116 |
| Outreach | - | - | - | - | 17 |
| Close Down | 1,910 | - | - | 1,910 | 401 |
| Supporting services: | | | | | |
| General and administrative | 32 | - | - | 32 | 1,229 |
| Total expenses | 2,533 | - | - | 2,533 | 7,725 |
| Change in net assets from operations | 53,737 | (33,573) | (20,307) | (143) | (968) |
| Peer review audit fees reimbursed | | | | | |
| by Companies | (98) | - | - | (98) | (631) |
| Change in reserves for claims payments | - | - | 15,500 | 15,500 | 80,443 |
| Claims paid or reimbursed | - | - | (11,065) | (11,065) | (106,980) |
| Humanitarian payments | (71,477) | - | - | (71,477) | (20,541) |
| Reserve for humanitarian commitments | - | 29,934 | - | 29,934 | (9,980) |
| Realized foreign exchange gains (losses) | 48 | - | (9) | 39 | 4,320 |
| Depreciation | (24) | - | - | (24) | (61) |
| Loss on disposal of assets | (60) | - | - | (60) | (35) |
| Change in net assets | \$ (17,874) | \$ (3,639) | \$ (15,881) | \$ (37,394) | \$ (54,433) |

See Notes To Consolidated Financial Statements.

The International Commission On Holocaust
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Consolidated Statement Of Cash Flows
Year Ended December 31, 2007
(With Comparative Totals For 2006)

| | (All Amounts In Thousands Of U.S. Dollars) | |
|--|---|------------------|
| | 2007 | 2006 |
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (37,394) | \$ (54,433) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 24 | 61 |
| Loss on disposal of assets | 60 | 35 |
| Reserve for claims payments | (15,500) | (28,443) |
| Reserve for humanitarian payments | (29,934) | (50,227) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Other assets | 644 | 1,167 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (14,569) | 6,789 |
| Advances from members | (243) | (784) |
| Net cash used in operating activities | (96,912) | (125,835) |
| Cash Flows From Investing Activities | | |
| Proceeds from sales of investments | 28,277 | 72,620 |
| Cash Flows From Financing Activities | | |
| Member contributions | 317 | 1,708 |
| Effects Of Exchange Rate Changes On Cash And Cash Equivalents | - | (2,837) |
| Net decrease in cash and cash equivalents | (68,318) | (54,344) |
| Cash And Cash Equivalents | | |
| Beginning | 69,046 | 123,390 |
| Ending | \$ 728 | \$ 69,046 |

See Notes To Consolidated Financial Statements.

The International Commission On Holocaust
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Consolidated Statement Of Change In Net Assets
Year Ended December 31, 2007
(With Comparative Totals For 2006)

| | (All Amounts In Thousands Of U.S. Dollars) | | | | 2006 Total |
|--|--|---------------------------|------------------------|-----------------|-----------------|
| | 2007 | | | | |
| | Unrestricted | Temporarily Restricted | Funds Held In Trust | Total | |
| Balance, beginning | \$ 18,005 | \$ 3,891 | \$ 15,881 | \$ 37,777 | \$ 93,339 |
| Change in net assets from operating and nonoperating activities | (17,874) | (3,639) | (15,881) | (37,394) | (54,433) |
| Unrealized foreign exchange (losses) | - | - | - | - | (2,837) |
| Equity contributions: MOU companies | 317 | - | - | 317 | 1,708 |
| Change in net assets | (17,557) | (3,639) | (15,881) | (37,077) | (55,562) |
| Balance, ending | \$ 448 | \$ 252 | \$ - | \$ 700 | \$ 37,777 |

See Notes To Consolidated Financial Statements.

The International Commission On Holocaust
Era Insurance Claims And Subsidiary

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: The International Commission on Holocaust Era Insurance Claims (ICHEIC) operations ceased in March 2007, after completing its mission of establishing and overseeing a just process that would expeditiously address the issue of unpaid insurance policies issued to victims of the Holocaust.

ICHEIC was established by the signing of a Memorandum of Understanding (MOU) in October of 1998 by the National Association of Insurance Commissioners in cooperation with several European insurance companies, MOU companies, European regulators, representatives of several Jewish organizations, and the state of Israel.

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

Substantially, all of the funds that remained at the conclusion of the process were transferred to the Conference on Material Claims Against Germany, Inc. (Claims Conference) under the terms of an Oversight Agreement between ICHEIC and the Claims Conference. These funds will be disbursed by the Claims Conference to certain Holocaust-related humanitarian programs.

ICHEIC's wholly owned subsidiary, International Commission on Holocaust Era Insurance Claims, LLC (ICHEIC, LLC), is a limited liability company incorporated in Delaware for the operations of the Washington, D.C. office of ICHEIC.

A summary of ICHEIC's significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in Switzerland, whereby, revenue is recognized when earned and expenses are recognized when incurred. ICHEIC instituted liquidation accounting in 2007. Accordingly, 2007 expenses include payments associated with the ceasing of operations that would have otherwise benefited future periods.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of ICHEIC and its wholly owned subsidiary, ICHEIC, LLC. All material intercompany balances and transactions have been eliminated in consolidation.

Basis of presentation: 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. Temporarily restricted funds include: (a) funds received by ICHEIC through the Generali (Note 3), German Foundation (Note 2), and AWZ (Note 4) settlement agreements earmarked for humanitarian purposes; (b) funds provided by the German Foundation settlement for ICHEIC operating expenses; and (c) realized gains on temporarily restricted funds converted from euro to U.S. dollar, less amounts transferred to unrestricted net assets to be used for humanitarian payments or ICHEIC operating expenses. At December 31, 2007, total temporarily restricted net assets of U.S. \$252,000, arising out of the contributions described above, are restricted for humanitarian purposes.

The International Commission On Holocaust
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Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Funds held in trust – Net assets that were held by ICHEIC in trust for the payment of claims. These funds include all settlement funds earmarked for the payment of claims. During 2007, the funds remaining after the payment of claims process closed were transferred to humanitarian use in accordance with the various agreements (Notes 2 and 4).

Bermuda Trust: The member companies of ICHEIC contributed funds to a special purpose trust in Bermuda (the Trust), 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. A 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 funds are to be distributed to Holocaust related charities as approved by the Protector.

Subsequent to the closure of ICHEIC, the Protector of the Trust transferred U.S. \$14.9 million of its assets to the Claims Conference in accordance with the terms of the Oversight Agreement to be used for Holocaust-related humanitarian programs, as specified in the Oversight Agreement.

As of March 31, 2008, the Trust's funds amounted to approximately U.S. \$6.4 million, which will be retained for several years to fund the final closure of the ICHEIC entity, including filing final reports and as a reserve for unknown and/or contingent liabilities.

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 cash, money market mutual funds, and fixed income investments of U.S. \$728,000 as of December 31, 2007.

Financial risk: ICHEIC maintains its cash in bank deposit accounts which, at times, may exceed insured limits. ICHEIC has not experienced any losses in such accounts. ICHEIC believes it is not exposed to any significant financial risk on cash.

Advances from members: From time to time, ICHEIC received advances from members for future peer review audit fees. These amounts were classified as current liabilities until the related audits were performed and paid.

Restricted and unrestricted receipts and revenue: Contributions and settlements received were recorded as unrestricted, temporarily restricted, or trust receipts, depending on the existence and/or nature of any donor restrictions.

All donor-restricted receipts were reported as an increase in temporarily restricted net assets or trust funds, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the restriction is accomplished), temporarily restricted net assets and trust funds are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions or funds released from trust.

Interest income is recognized when earned.

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Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Restricted and unrestricted receipts and revenue (continued): Realized gains or losses on foreign currency transactions are recognized in the period the transactions occur.

Foreign currency translation: The financial statements are presented in U.S. dollars. In 2006, ICHEIC had liabilities and long-term obligations in various currencies and held its liquid assets in the best estimate of the currencies in which those obligations would be paid. Assets and liabilities denominated in currencies other than U.S. dollars were converted at rates of exchange prevailing at December 31, 2006. All assets and liabilities were in U.S. dollars at December 31, 2007.

Non-U.S. dollar currency transactions are converted at the rates of exchange prevailing during the year and are reflected in the consolidated 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.

Income taxes: ICHEIC has been advised that it does not have any Swiss or United Kingdom tax obligation. ICHEIC, LLC is a foreign corporation for U.S. tax reporting purposes.

Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior-year information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in Switzerland. Accordingly, such information should be read in conjunction with ICHEIC's financial statements for the year ended December 31, 2006, from which the summarized information was derived.

Note 2. The German Foundation Agreement

ICHEIC signed an agreement with the Remembrance, Responsibility and the Future Foundation (the 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 U.S. \$30 million towards certain of ICHEIC's operating expenses, the Foundation transferred 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 transfer of Euro €178,952,160 was made 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 and 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 U.S. \$30 million);

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Notes To Consolidated Financial Statements

Note 2. The German Foundation Agreement (Continued)

- 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 approximately U.S. \$1.1 million for the year ended December 31, 2007.

At the conclusion of the ICHEIC process, approximately U.S. \$3.5 million of offers extended to German member companies remained unpaid, primarily because of an inability to locate the claimant. An agreement between ICHEIC and the GDV allows the GDV and German member companies until March 31, 2009, to use their best efforts to research the location of these claimants and/or their heirs in order to pay the outstanding offers. In 2007, ICHEIC transferred approximately U.S. \$3.5 million to the GDV to pay these claims. No later than March 31, 2009, the GDV must remit the unexpended funds, if any, to the Claims Conference to be used for Holocaust-related humanitarian purposes, as designated.

The Agreement states that any surplus in the Claims and Expenses Fund, after all approved claims and costs have been met, shall be used for Holocaust-related humanitarian purposes at ICHEIC's discretion. In March 2007, ICHEIC and the German Foundation signed an agreement regarding excess funds in the Claims and Expenses Fund, which stated that an amount estimated to be not less than U.S. \$24 million is to be transferred to the Humanitarian Fund.

With the exception of U.S. \$30 million to be used for ICHEIC operating expenses, which is classified as temporarily restricted, the Claims and Expenses Fund has been 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 ICHEIC's discretion, for the benefit of needy victims of the Holocaust and for other Holocaust related humanitarian and educational purposes; and
- At ICHEIC's discretion, for the payment of costs related to the administration of the funds.

By December 31, 2007, ICHEIC committed the remainder of the German Foundation Claims and Expenses Fund to Holocaust-related humanitarian programs. In June 2007, ICHEIC entered into a Humanitarian Oversight Agreement with the Claims Conference, whereby, ICHEIC agreed to transfer all its remaining humanitarian funds, and the Claims Conference agreed to accept the responsibility for overseeing the uses of such funds.

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Notes To Consolidated Financial Statements

Note 3. 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 U.S. \$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.

By August 2006, these funds were substantially exhausted through the payment of Generali claims, including blocked account cases, which are deemed to be humanitarian claims payments. Generali began paying the remaining outstanding claims directly in September 2006.

Note 4. AWZ Agreement

In July 2003, ICHEIC entered into an agreement with member companies, AXA, Winterthur Life Insurance Company and Zurich Life Insurance Company (the Insurers) regarding the payment of claims through the ICHEIC process and the provision of funds for humanitarian purposes. The Insurers provided a total of U.S. \$25 million to ICHEIC, U.S. \$7.5 million of which had been previously funded to the special purpose Bermuda Trust for the payment of non-German claims for insurance policies issued by the Insurers to Holocaust victims (as defined by ICHEIC), and humanitarian purposes as defined under the MOU. At the conclusion of the claims processing and appeals process, U.S. \$17.9 million of these funds were transferred to the Claims Conference under the terms of the Oversight Agreement and will be utilized for certain Holocaust-related humanitarian programs.

Note 5. Capital Contributions

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

Note 6. Operating Expenses

ICHEIC's costs have been allocated in the consolidated statement of activities to the expense categories described below. ICHEIC's primary mission of addressing unpaid insurance policies issued to victims of the Holocaust was substantially complete by March 2007. After that date, most of these costs ceased.

Claims are the cost of processing incoming claims/inquiries and include the costs of the outsourced claims processing service provider, translations, and the toll-free telephone help lines. 91,558 claims/inquiries were received and eligible under the ICHEIC claims process by the ICHEIC deadline of March 31, 2004. Of the eligible claims received, approximately 12,000 have been created by ICHEIC for technical reasons.

Humanitarian expenses include the costs of (a) processing the humanitarian claims payment programs under Section 8A of the MOU; and (b) due diligence and oversight of programs funded by ICHEIC.

Commission includes ICHEIC members' expenses, mostly for travel and accommodation (not all members claim for reimbursement), the costs of commission meetings, legal fees, directors and officers' liability insurance, and the allocated costs of the Chairman and Chief Operating Officer, allocation of which is based on their time spent on general commission business.

Appeals are 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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Notes To Consolidated Financial Statements

Note 6. Operating Expenses (Continued)

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

Outreach is the cost of ongoing communication with ICHEIC constituents via the web site, quarterly reports, and ad hoc meetings.

Close down represents the costs of winding down the operation, including storage and disposition of documents, preparation of final reports and papers, employee severance and other costs associated with the termination of the operation.

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

Peer review audit fees (covered by capital contributions) are the fees paid to audit firms to carry out peer review audits of MOU companies.

Claims (paid) or reimbursed are the amounts paid to intermediaries for the purpose of funding claims against insurance companies.

Net assets released from restriction include: (a) the amounts ICHEIC received from German Foundation Funds towards certain of its operating costs under the German Foundation Agreement (approximately U.S. \$1.1 million during the year ended December 31, 2007), and (b) amounts released from restriction for the funding of humanitarian programs and expenses (U.S. \$52.8 million during the year ended December 31, 2007).

Note 7. Commitments And Contingencies

ICHEIC contributed to certain British defined contribution pension schemes, thus no funding shortfall exists. No retirement benefits were offered to U.S. ICHEIC employees.