

**ICHEIC**  
**LIFETIME EXPENDITURE PROJECTION**  
(in thousands)

	Audited					Projected		Projected Total	May-05 Lifetime Projection	Projected Increase (Decrease)
	1999-2000	2001	2002	2003	2004	2005	2006			
<b>Operations</b>										
Outreach	\$ 8,961	\$ 26	\$ -	\$ 388	\$ 45	\$ 30	\$ 18	\$ 9,468	\$ 9,505	\$ (37)
Claims	11,005	8,410	3,754	3,153	4,528	3,127	2,211	36,189	34,790	1,399
Appeals	147	176	147	934	1,359	1,674	2,111	6,548	5,190	1,358
Research	927	721	636	667	40	-	-	2,991	2,991	-
Audit	803	273	159	277	611	500	153	2,776	2,697	79
Commission expense	4,374	1,734	1,749	1,280	1,361	1,005	822	12,325	12,310	15
General & administrative	3,528	1,946	1,486	1,461	1,177	1,306	1,267	12,171	11,464	707
Humanitarian - 8a	-	-	-	869	2,173	1,786	1,620	6,448	5,025	1,423
Humanitarian - Philanthropic	-	-	40	292	112	199	198	840	950	(110)
<b>Capital Expenditures</b>					198	50	-	248	248	-
	29,745	13,286	7,971	9,321	11,604	9,677	8,401	90,004	85,170	4,834
Generali Trust Fund operating payments	-	775	503	1,237	1,284	-	-	3,799	3,799	-
GTF audit expense	-	-	-	-	347	174	-	521	997	(476)
	-	775	503	1,237	1,631	174	-	4,320	4,796	(476)
	<b>\$ 29,745</b>	<b>\$ 14,061</b>	<b>\$ 8,474</b>	<b>\$ 10,558</b>	<b>\$ 13,235</b>	<b>\$ 9,851</b>	<b>\$ 8,401</b>	<b>\$ 94,324</b>	<b>\$ 89,966</b>	<b>\$ 4,358</b>
<b>Contingencies</b>										
Close down								2,500	2,500	-
Humanitarian - Philanthropic								1,257	1,195	62
Other								-	3,589	(3,589)
								3,757	7,284	(3,527)
<b>Total</b>								<b>\$ 98,081</b>	<b>\$ 97,250</b>	<b>\$ 831</b>

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*Notes to Lifetime Expenditure Projection*  
*November 2005*

The International Commission on Holocaust Era Insurance Claims (ICHEIC) Lifetime Expenditure Projection was prepared based on the overall assumption that the Commission's primary mission will be achieved by the end of 2006. This revised lifetime projection utilizes the latest information available regarding the various programs.

The most significant issues that will affect ICHEIC's ability to close down by the end of 2006 include:

- Claims decisions are made by companies by December 31, 2005. Decision letters would then follow in the first part of 2006;
- New appeals are received through and up to the end of September 2006, and that appeals are complete by the end of the year; and
- The completion of the entire 8a process by year-end 2006, which will likely mean streamlining the processes.

The revised lifetime projection reflects total projected lifetime operating costs of \$98.1 million, \$0.8 million greater than the budget presented to the full ICHEIC one year ago. That budget presented an aggressive timeline of claims processing, but provided a contingency reserve approximating six months of operations should the extra months of operations be required. The projection was revised slightly and presented to the Commission in May 2005 ("May Projection"), but overall assumptions from a year ago remained intact. Circumstances occurring since May have increased overall processing time, and ICHEIC's life, primarily due to decisions made, or results of activities that occurred during that time period.

The most significant of the decisions/activities that affected the lifetime projection include:

- A higher number of matches than initially projected, created through the various ICHEIC matching processes, resulting in over 10,000 additional named claims.
  - This increase also significantly impacted the projected number of appeals that will be heard. The appeals projection is calculated by multiplying the percentage of decisions appealed to date by the total number of outstanding named claims for each company.
- During 2005 it was discovered that a significant number of claimants whose claims were decided by the GTF never received proper notification of their right to a second review of their opinion. ICHEIC identified all claimants who received denial letters that excluded proper second review rights notification from the GTF, and offered them a right to appeal through the ICHEIC process. ICHEIC has received over 300 requests for appeal from these claimants.
- During 2005, the humanitarian 8a claims process was expanded due to:
  - A decision to allow approximately 30,000 named but unmatched claims to be processed through the 8a1 program;
  - The addition of approximately 2,300 claims to the 8a2 process, primarily relating to research matches.

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The projection may be subject to revisions by the FAAC on an ongoing basis as the assumptions under which this projection is prepared are revisited and revised based on more current information.

Certain reclassifications of the May Projection have been made to correspond with classifications in the Revised Lifetime Projection.

Significant assumptions used to develop projections for each of the Commission's operating divisions are summarized below:

**Outreach**

The projected programs and expenditures for Outreach have largely been exhausted. The current Outreach projection includes maintenance of the website through December 2006, and a portion of our professional fees/COO team time which goes toward addressing communications and public relations issues.

**Claims**

The May Projection was based on receiving an estimated 120,000 claims, 39,500 of which were expected to be outside of ICHEIC's jurisdictional purview. To date, ICHEIC has registered a total of 131,067 claims; 40,473 of which are outside of ICHEIC's purview. The difference is primarily due to the creation of new claims for previously unnamed claims which have been matched through the various ICHEIC matching processes.

This revised projection assumes that all claims will be processed by the companies by the 2005 year-end, and that all decision letters will be mailed to claimants during the first part of 2006.

A number of circumstances developed over the course of the last year that caused changes to the Claims projection, the most significant of which include:

- A higher number of matches were created through the various ICHEIC matching processes than initially projected, resulting in a significant number of additional claims, as previously mentioned;
- The reconciliation between the ICHEIC and companies' databases taking longer than anticipated;
- The decision to send paper copies of claims files to companies, causing much higher labor costs, and higher third party copy costs. The May Projection assumed that these claims files would be sent to the companies electronically;
- A higher than anticipated volume of outbound call requests made by the Call Center on behalf of the companies to obtain additional claimant information;
- The decision to create new claim numbers for all research matches;
- 1,356 claims (representing additional names on existing claims), which may be created and sent to the GDV after the new year.

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These issues, along with other operational changes, increased the Claims projection by \$1.4 million. The most significant adjustments are as follows:

1. Personnel Costs increased by \$.8 million. The May Projection assumed Claims staff reductions beginning in March 2005. However, due to the increased number of claims related projects, and particularly the increased number of claims that must be verified, the revised projection includes full Claims staffing levels through June 2006 with incremental reductions thereafter through the end of 2006. The revised projection also includes (a) temporary staff for special projects; (b) an allocation of the 8a2 staff to assist in verification and/or verification query follow-up; (c) an allocation of DC staff time for claims projects and claims payment processing. It is anticipated that there will be about 13,000 decision letters to be verified during 2006, plus follow up on all outstanding verification queries. ICHEIC London must undertake a “matching reconciliation” to ensure that companies have taken into account all research matches sent to them by ICHEIC. Finally, a review of the final ICHEIC database must be done to ensure the quality of the claims processing statistics within Figtree.
2. Claims processing costs (CLMS billings) are projected to increase by \$0.3 million, primarily due to the assumption that services will be required through December 2006, for critical work related to reconciliation and databasing that only CLMS can do given its maintenance of Figtree.
3. The Call Center is projected to support Claims operations through June 2006, rather than February 2006, increasing Call Center costs charged to Claims by \$0.1 million. The Call Center will be needed beyond June, but will be allocated to Appeals and 8a, since the claims process should be substantially complete by June.
4. COO Oversight costs increase by \$0.1 million, due to the increased allocation to provide more direct oversight to London office personnel and due to the extension of the costs allocated to claims during 2006. However, it should be noted that the monthly cost for COO Oversight has been reduced.

**Appeals**

All decisions on named company claims can be appealed through either the Appeals Panel or the Appeals Tribunal, including Generali claims decided by Generali. Prior to the cancellation of the GTF contract, Generali claimants only had the right to ask the Generali Trust Fund (GTF) to carry out a second review of its decision on a claim. However, it was discovered that a significant number of claimants whose claims were decided by the GTF never received proper notification of their right to this review. Therefore, ICHEIC identified all claimants who received denial letters from the GTF without proper appeals rights notification, and offered them a right to appeal through the ICHEIC process. ICHEIC has received over 300 requests for appeal from these claimants.

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The May projection assumed that a total of 1,275 appeals would be filed (for both Tribunal and Panel processes). However, due to a substantial increase in the number of total named claims outstanding, primarily as a result of the successful matching processes and due to the addition of the GTF appeals, the revised projection assumes a total of 2,250 appeals. Of that total, about 1,400 have been received to date.

As a result of the significant increase in the estimated number of appeals, the Appeals projection has been increased by \$1.4 million. The most significant increases are in the following categories:

1. Personnel costs are about \$0.6 million (80%) higher due to the addition of staff to accommodate an increased number of appeals. The May Projection assumed two legal advisors through mid-2006; the revised projection includes five to six legal advisors through September 2006, leaving one in place through December 2006. There are similar increases in staff analyst and administrative positions.
2. Arbitrator costs increased by about \$0.5 million, due to the increase in estimated number of appeals. In addition, the revised projection assumes that the Appeals Panel judges will be paid through September, rather than June 2006. Finally, the May Projection overestimated the amount of cases the Panel could process per month; the revised projection allocates an increased number of Panel cases to independent arbitrators.

**Audit**

The Audit Lifetime Projection includes the following expenditures:

- Outsourced professional services for the oversight of the audits of the MOU insurance companies, plus the cost of several meetings of the ICHEIC Audit Mandate Support Group (AMSG) to review the results of the first and second stage independent audits of MOU companies;
- The cost of ICHEIC appointed observers that will be members of the audit teams for the 10 audits performed on non-MOU German insurance companies by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); and
- Half of the cost of the Stage 2 audit of the Generali Trust Fund and an operational audit of GTF claims payments.

The revised lifetime projection reflects an increase in operating expenses of under \$0.1 million and a decrease of about \$0.5 million for the GTF audit expense as compared to the May Projection. The small increase in operating costs is due to the additional time required to bring the BaFin audits to closure, as well as the delays and complications of certain Phase 2 audits. The issues identified by the GTF independent auditors have been resolved at a cost that is far less than anticipated in May Projection, resulting in the significant reduction in anticipated professional fees.

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**Commission**

Commission Expense includes the cost of (i) the Chairman; (ii) an allocation of professional fees, including legal and outsourced COO; (iii) bi-annual ICHEIC meetings; and (iv) directors and officers insurance. Total projected Commission costs remained substantially unchanged in the revised projection, reflecting increases in the cost of the Chairman, D&O insurance and travel costs, offset by a decrease in the allocation of COO Oversight fees. The decreased COO Oversight fees reflect the transition of the oversight function from general Commission business to a strong focus on operational issues.

**General & Administrative**

The G&A projection includes rent for the DC and London offices, four full-time equivalent staff, outsourced accounting and finance (specifically CFO and Controller), legal and COO oversight fees, annual audit and tax preparation fees, communication and other office overhead expenses. The May Projection assumed that the DC and London offices would close at the end of June 2005. The revised projection assumes that the offices are maintained with the administrative staff relatively intact through December 2006. This results in an increase to the General & Administrative projection of about \$0.7 million. Office rent expense for six additional months adds \$0.2 million, personnel costs increase by about \$0.25 million primarily in the London office, and additional accounting/finance related services and office administrative costs each increased by about \$0.1 million.

**Humanitarian – 8a**

The projection for Humanitarian 8a is primarily the cost of the Claims Conference to process 8a1 claims and provide payment processing and other services for 8a2 claims. It also includes the cost of maintaining outsourced personnel to process 8a2 claims.

The revised projection reflects an increase of \$1.4 million in 8a processing costs as compared to the May Projection substantially due to the addition of a significant number of claims to be processed under each 8a program. Therefore, the Claims Conference estimate for the completion of these projects has increased by \$1.1 million. In addition personnel costs to process claims under the 8a2 program increased by about \$0.14 million. An estimate of approximately \$0.1 million has been included for the audit of the 8a1 and 8a2 processes, which will occur during 2006.

**Humanitarian – Philanthropic**

Approximately \$2.2 million of the 2003 Lifetime Budget was earmarked for the estimated cost of establishing and overseeing the Humanitarian Fund. While some expenditures associated with carrying out the oversight of these various programs can be specifically projected, it is too early to specifically project long term expenditures associated with humanitarian oversight. Therefore, an estimated \$1.2 million remains earmarked (included in contingency funds), and not specifically budgeted, for oversight of philanthropic uses (i.e. not related to claims) of the humanitarian funds. These costs would include accounting and auditing of the use of funds, program oversight, etc.

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**Closedown**

The close down contingency project includes \$1 million as the estimated cost of a five year tail coverage insurance policy covering directors and officers liability, plus the administrative costs of an orderly closure of ICHEIC, including archiving and/or storage of documents, continued communication with claimants and others as necessary (through the call center or the website), the cost of staff to close down the operation, and a final accounting of the operations (independent audit).