

REPORT TO THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA
INSURANCE CLAIMS ON AXA FRANCE

27 November 2001

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Scope

We refer to the report by Befec-Price Waterhouse, (“PwC”) dated 22 October 2001 (“the Report of Independent Auditors”), which is set out in Appendix 2 on the compliance by AXA France¹ (“the Insurer”) with the five Audit Standards (“Audit Standards”) promulgated by the International Commission on Holocaust Era Insurance Claims (“ICHEIC”) set out in Appendix 3. The Report of Independent Auditors refers to the Management Report prepared by the Insurer, dated 19 October 2001, which is set out in Appendix 4. The Management Report consists of two sections:

- Part I is an introduction prepared by the Insurer and includes an overview of the ICHEIC project, and a historical perspective of the Holocaust in France,
- Part II describes the procedures adopted by the Insurer to comply with each of the Audit Standards, including the conclusions drawn by the management of the Insurer.

The Report of Independent Auditors only covers the procedures adopted by the Insurer to comply with the Audit Standards as described in Part II.

In accordance with the Engagement Letter between us dated 2 October 2000, we have reviewed the Report of Independent Auditors and the supporting working papers, have made site visits to the Insurer’s archives and carried out limited sample testing of the Insurer’s databases and archives. A summary of work performed by us is set out in Appendix 1.

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

¹ AXA France is defined as AXA France Assurance and its subsidiaries engaged in life insurance business, as well as the following mutual entities associated with AXA SA; AXA Assurances Vie Mutuelle and AXA Conseil Vie Assurance Mutuelle

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Opinion

Based on the work performed by us referred to above, in our opinion the conclusions set out in the Report of Independent Auditors are adequately supported by the work performed by PwC.

Ernst & Young LLP

Ernst & Young LLP
London
27 November 2001

APPENDIX 1 TO THE REPORT TO THE INTERNATIONAL COMMISSION ON HOLOCAUST ERA INSURANCE CLAIMS ON AXA FRANCE

SUMMARY OF WORK PERFORMED BY ERNST & YOUNG LLP

Planning Process- Peer review

Our approach considered PwC's planning of the Independent Audit. We considered whether PwC were familiar with Holocaust issues and how their audit processes were planned to address the requirements of ICHEIC. We considered if the staff were knowledgeable and briefed about Holocaust matters and whether adequate resources had been applied to the assignment. We also considered independence issues.

Field work- Peer Review

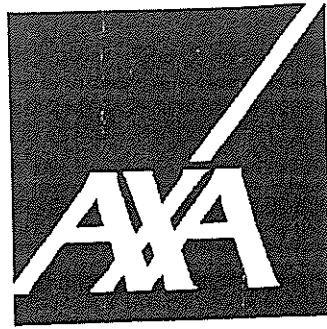
We reviewed the PwC working papers and discussed the results of their work with them. We enquired if the Insurer had placed any limitations on their scope and if the Insurer had provided unfettered access. We noted issues that had arisen to determine whether they had been, if appropriate, considered for their report.

Additional work for the ICHEIC

We conducted additional testing of the databases and archives to determine, on a statistical sampling basis designed to give a 95% confidence level, if relevant records in the archives had been identified and correctly recorded in the search process. The selection of archives for testing was drawn from a list of archive sites included in the PwC working papers.

Reporting

We reviewed the Management Report and the Report of Independent Auditors and considered whether or not the results of the PwC Independent Audit were fairly reflected in their Report. We also considered the results of our additional testing in coming to our conclusion.



AXA FRANCE

**MANAGEMENT REPORT
TO
THE INTERNATIONAL COMMISSION ON
HOLOCAUST ERA INSURANCE CLAIM
(ICHEIC)**

OCTOBER 2001

Axa France Management Report
19 October 2001

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This Management Report offers background on the subject matter and an overview of the methodology used by AXA France in order to achieve compliance with the Five Audit Standards set forth by the ICHEIC on March 30, 1999, and presents an overall summary of the results obtained to date per standard.

PART I: BACKGROUND

- 1.1. As normal business procedures, AXA France Assurance and the AXA French Mutual entities (together "AXA France" or the "Company") and all its predecessor companies have settled all valid claims against life insurance policies they issued in the past. Since September 1997 and following a "Class action" brought against an AXA France predecessor company, Union-Vie, and against a number of other European insurers, AXA France has endeavoured to find and organise all its relevant archives related to unpaid Holocaust era life insurance policies. The Court action against Union-Vie in New-York was eventually dismissed by the local judge as the facts demonstrated that the policy in question had not been issued by Union-Vie in Czechoslovakia but by another life insurer not related to AXA. Nevertheless, and in order to meet all obligations of the AXA group as a proponent and a signatory of the Memorandum of Understanding of 25 August 1998 which created ICHEIC, AXA France has since devoted considerable time and effort within its own organisation on the very sensitive issue of Holocaust unpaid policies.
- 1.2. Since early 1998, the management of this project has mobilised considerable human resources (up to 60 people), spearheaded by a project team reporting directly to AXA Group executive management. In addition to human resources, AXA France has devoted considerable financial resources since 1998 to ensure a proper resolution of the issue of unpaid Holocaust policies. For example, suspending the routine purging of archives – including recent purging operations – has required the rental of dedicated warehouses which as of June 2001, contained some 5,000 pallets of documents normally scheduled for purging that were therefore preserved.
- 1.3. In the same spirit, AXA France engaged the services of the international audit firm PricewaterhouseCoopers ("PwC") in June 1998 to conduct an ongoing audit of the status of the project. Their conclusions are expressed in the Report of Independent Auditors on the Compliance of AXA France with the ICHEIC Audit Standard covering AXA France's compliance with audit standards promulgated by the ICHEIC. PwC assigned a team of auditors, insurance specialists and forensic experts to the project, currently supervised by a full-time manager. At June 30, 2001, PwC had devoted more than 9,000 man-hours to this project.
- 1.4. The approach adopted by AXA France was above all pragmatic, understandably so given the absence of detailed guidelines at the inception of ICHEIC in August 1998. Indeed, the audit standards were not published until March 1999, after a major portion of the work had already been set in motion. This approach consisted of identifying our sensitive archives and carrying out systematic searches for records of life insurance contracts underwritten before 1946 and unclaimed to date. This search resulted in the creation of a database for subsequent use in the processing of individual claims relative to this period.

5. After March 1999, we substantially enlarged the scope of our research following the ICHEIC's publication of the audit standards which included a definition of "relevant record" and progressively completed our work in order to comply with the five audit standards in the framework of the peer review audit process.
- 1.6. This three-year investigation and related results, which have been fully documented and audited, were presented at large to ICHEIC during the Peer review audit debriefing session held in Paris on 30 November and 1 December 2000. On this occasion each audit standard was reviewed in detail; AXA France was challenged as to the thoroughness and quality of its efforts, PwC opined on AXA France's compliance with the audit standards and explained the work it has carried out and Ernst & Young ("E&Y") reported on its peer review of PwC's work and related conclusions.
- 1.7. Following this session and the subsequent agreement reached with the Jewish organisations represented within the ICHEIC, the ICHEIC has given to AXA France on July 5, 2001 final directions regarding the specific issue of encoding data from the policy registers considering that if AXA France were to follow these principles, it would meet all the ICHEIC Audit Standards. AXA France has accepted these final requirements and has encoded the additional data; the audit process set by ICHEIC has also applied in due time to this enlargement of the electronic database.
- 1.8. The initiation of the ICHEIC individual claims procedures in June 1999 (the so-called Fast Track Procedure) and in February 2000 (the Eastgate Procedure) were of critical importance in our view, because they constituted the culmination of all our efforts. Moreover, they had the merit of objectivity, in that AXA France's actual exposure in the Holocaust matter was revealed by a source independent of AXA: out of the 73,263 claims forms received by Eastgate as of 29 June 2001 only 464 relate to France (0.6%). In the total number of 73,263 claims form received, 12,171 named the insurance company which possibly issued the policy; out of those 12,171 only 25 claims form, or 0.2% of them, named an AXA France predecessor company.
- 1.9. It is important to realise that AXA France is currently the largest insurer in the French domestic market, with market share today of approximately 15 % (32% pre-war).

HISTORICAL PERSPECTIVE

- 1.10. Before describing in detail the research efforts undertaken by AXA France with respect to each of the five Audit Standards, a brief historical review is provided of the insurance industry prior to the tragic events that occurred between May 1940 and August 1944 (the German invasion and subsequent liberation of France), and of the racial discrimination and asset stripping to which the Jewish population in France was subjected.
- 1.11. This general information whether related to the history of German invasion and occupation of France, to the anti-Semitic policies, to the Jewish population, or to the French insurance industry before and during the war, are given in order to better understand the overall historical context of the period. Please note that these general historical comments (see paragraph 1.12.

to paragraph 1.22.) were not part of the ICHEIC audit requirements and have been prepared only to assist with a general understanding of the relevant events. They have not been subject to the ICHEIC audit procedures. Historical information contained herein is generally based on the official report of the "Mattéoli Commission" established by the French Government and which published its full report mid-2000.

The Occupation of France, Anti-Semitic measures and post-war reparation

- 1.12. In May of 1940, German troops invaded France and signed an armistice treaty with Field Marshal Pétain that called for dividing the country into two zones: an occupied zone controlled by the Germans and a so-called free zone controlled by the Vichy Government. When the Allied troops invaded Northern Africa in November 1942, the Germans retaliated by taking full possession of Metropolitan France.
- 1.13. Before launching their offensive, the Germans had drawn up legislation aimed at gaining control over the French banking and financial system. Consequently on May 17, 1940 the French franc was devalued by 50%, and the exchange rate with the Reich mark set at 0.05.
- 1.14. Discriminatory measures against Jews, Communists, Freemasons and Gaullists began de facto in the summer of 1940. The first specifically anti-Semitic measures were passed into law in the fall of 1940 by the Germans and then by the Vichy Government. The Jewish Statutes of October 1940 set forth professional restrictions. In June of 1941, individuals were required to declare their personal assets (insurance policies were not included). In addition to discriminatory measures targeting individuals (the yellow star identifying them as Jews, professional restrictions), the "Aryanization" of the economy was zealously pursued with relish. The bank accounts (containing securities and cash) of individuals thought to be Jews were frozen in May of 1941, after which time only small sums could be withdrawn.
- 1.15. As far as the insurance industry is concerned, discriminatory measures were of two types:
 1. Within occupied territory from May of 1941 (extended to all of French territory in November of 1942), insurance companies were prohibited from paying out amounts in excess of FF 10,000 to policyholders considered to be Jews, unless such sums were deposited into a bank account that was itself frozen. Prior to that time, beneficiaries were not subject to such restrictions on the drawing of funds, even in cash form. As a result of the new regulation, insurance companies had to request that beneficiaries provide proof that they did not fall within the scope of the Jewish Statute.
 2. Insurance companies could no longer sell annuity-type policies to their so-called Jewish customers. This option was restricted to a State-owned company that was affiliated with the *Caisse des Dépôts et Consignations*.
- 1.16. Although such insurance-related measures were and are clearly reprehensible from a moral standpoint, they fortunately did not assume the same proportions in France that they did in many other countries, where Jewish insurance policies were systematically registered, frozen and confiscated for release to the Nazis. The insurance industry was not used in France as a tool of choice for stripping Jews of their assets, undoubtedly because it simply lacked sufficient

economic weight at the time. Nonetheless, insurance companies applied the discriminatory measures required of them by the government.

- 1.17. General de Gaulle's "France Libre" government installed in London publicly declared from the outset that such anti-Semitic measures were illegal, and that they would be repealed as soon as the French Republic was restored. Just after the liberation of Paris, on August 30, 1944, all frozen bank accounts were unfrozen and all discriminatory measures repealed.
- 1.18. Aside from special provisions designed to compensate for the stripping of business assets and the confiscation of bank accounts, no other specific measures were taken after the war to compensate French Jews. Like every other French war victim, French Jews (most of whom avoided the concentration camps) were covered under the *Loi sur les Dommages de Guerre* (Act pertaining to War Damages). Beginning in the 1950's, those declared eligible under this Act benefited from reparation-related measures passed by the German Federal government.

The "Jewish" population

- 1.19. Since making distinctions on the basis of religion, race or beliefs has been outlawed since 1791 in France, we do not have any census data of persons considered to be Jews either of the pre-war period or of to-day. The lists recently drawn up by the Mattéoli Commission cannot be disclosed save to the individual concerned people or, since October 2000, to "authorised" associations such as Jewish ones if they commit not to copy or publish the lists.
- 1.20. Unofficial estimates put the number of Jews for the period in question at between 0.7% and 0.8 % of the French population. At the end of 1939, and after the influx of refugees from Central Europe, Austria, Germany and Belgium following the expansion of the German Reich and the rise of Nazism, some 330,000 Jews resided in France. Many of them were temporary residents who were trying in vain to obtain visas for the United States or other countries. It is unlikely that they put their savings into French life insurance policies. The only reliable statistic relative to the Holocaust in France is the number of deported persons. An estimated 75,721 individuals fall into this category, of which more than 70,000 did not return.

General statistics on French insurance prior to the Second World War

- 1.21. On the eve of the War, the insurance industry was less evolved in France than in other countries of comparable economic development. Life insurance premium payments accounted for only 3% of gross domestic product, versus 4.5% in Switzerland, 6.5% in England and 10% in the United States.
- 1.22. Life insurance accounted for 31.2% of the French insurance market in 1938, compared to 61% today. On a per capita basis, there were 0.08 contracts, versus 0.9 today. The average annual premium expressed into 1938 US dollars, was a mere USD 24.89. There were 2,039,844 ordinary insurance contracts and 1,077,887 industrial insurance contracts (popular, low sum insured). Compared with most other Western European countries, the number of policies in force was low:

Country	Number of policies (in millions)	Population (in millions)	Number of policies per inhabitant
Germany	31.427	66	0.48
Austria	1.472	6.8	0.22
Belgium	2.288	8.3	0.28
France	3.135	41.3	0.08
Italy	2.769	43	0.06
Netherlands	1.237	8.5	0.15
Aggregate	42.328	173.9	0.24

PART II: AXA FRANCE AND THE ICHEIC AUDIT STANDARDS

2.1. In this second part of the report which has been subject to the formal ICHEIC audit process (audit by the AXA appointed independent auditor, PwC, and « Peer review audit » by the ICHEIC appointed independent auditor, E&Y) we give the meaningful facts regarding the overall context and the approach we adopted together with our principal findings.

STANDARD ONE

2.2. Under Standard One, we drew up a list of 22 AXA France predecessor companies and transmitted it to the ICHEIC in December 1999. Compiling this list was a long and arduous analytical process that required a number of precautions and multiple crosschecks to ensure that the list was reliable.

Context

2.3. In addition to the historical research required to identify the target companies, this work was also complicated by several factors:

AXA France was built out of a series of mergers

2.4. The genealogy of AXA France includes five French insurance groups. Each of these groups was itself formed out of several insurance companies, which explains why the genealogical tree of AXA France includes more than 80 companies, each of which has its own separate history.

AXA France traces its roots back to the 19th century

2.5. The five original groups constituting AXA France have a history that dates from the first half of the 19th century.

Several historical companies of AXA France had initiated operations abroad

2.6. Indeed, the larger historical companies of AXA France had established and developed operations in Europe, and hence in countries potentially concerned by Standard One. It should be noted, however, that these operations were of relatively modest scope. For example, the historical foreign operations of AXA France accounted for 0.003% of the Dutch market and 0.2% of the Italian market in 1938.

The issue of portfolio transfers had to be analysed

- 2.7. With the help of our historian, we were able to identify the portfolio transfers effected since AXA France was established -- a key component in establishing the list of relevant companies.
- 2.8. It should be stressed that the Mattéoli Commission findings generally coincided with the results of our own analyses.

Approach

- 2.9. While it was relatively easy for us to identify the first 17 historical companies of AXA France of significant size (AXA France had global market share at the historical period in question of about 32%), it was also necessary that we identify the smaller companies or portfolios that had been transferred over time.

Construction of the AXA France genealogical tree

- 2.10. We engaged the services of a qualified external consultant. This university professor, an economic historian, worked over several months to complete the task at hand. The outcome of this considerable effort is a genealogical tree with five main branches, one for each original group, tracing the historical development of each AXA France company from its origin.

Analysis of the evolution of life insurance portfolios over time

- 2.11. To complete this task, we called on specialised life actuaries from the Corporate Actuarial Department of the AXA Group. They took the first official list of life insurance companies operating in the French market, drawn up in 1937 by the French Labor Ministry, and retraced all the legal events that may have influenced the assignment of a life insurance portfolio in the French market through 1998. These events included name changes, changes in legal form, portfolio transfers, mergers and acquisitions, wind-ups, the withdrawal of licenses, nationalizations, etc.

Crosscheck with the list of the FFSA (French association of insurance companies)

- 2.12. At the request of the Mattéoli Commission, the FFSA conducted an independent study to identify all life insurance companies operating in France during the Second World War, assigning them to the various groups in operation today.

Crosscheck with the list drawn up by the Mattéoli Commission

- 2.13. Using the same operating principle as the FFSA, the Mattéoli Commission undertook to establish respective responsibilities in the French market by drawing up an official list of life insurance companies operating in France in 1937 and assigning them to currently active groups.

PwC Audit

- 2.14. All of these documents were examined by PwC in the course of its audit. As a result of all these studies and of the audit work done by PwC, the list of relevant companies as per Standard 1 was extended to 22. The market-share of these 22 companies is very close to the 32% found when AXA's work began, since the additions made to the initial list of 17 AXA France relevant companies involved business units of minor significance.

Additional work done on foreign operations

2.15. Pursuant to the terms of Standard One, we sought to identify any life insurance company that may have issued contracts in the relevant countries as defined by ICHEIC and that were related to AXA France during the relevant period. Our independent consultant examined official minutes of the Group's principal historical companies that made specific references to foreign operations. On the basis of the data gathered, he was able to reconstruct simplified genealogical trees of these operations, which concerned eight historical AXA France companies. This information was cross-checked with foreign contracts identified in the course of our research at archive sites.

Additional work done on portfolio transfers

2.16. Our historian was able to establish a list of transfers since the origin of AXA France. Only one related to portfolio transfers in, and it is located in Germany: after the reorganisation of insurance operations in Sarre after the Second World War, two historical AXA France companies were assigned four life insurance portfolios in 1947. They were subsequently sold to the British-based group General Accident in 1996. Several cases of transfers that led to the sale of life insurance portfolios warrant mention: the sale in 1890 and in 1905 of two Austrian life insurance portfolios to Phénix in Austria. The sale in 1912 of three Italian life insurance portfolios to l'Istituto Nazionale delle Assicurazioni. The sale in 1921 of the Polish portfolio of a historical AXA France company (Urbaine) to Varsovia. These cases fall outside the scope of Audit Standard One.

STANDARD TWO

Context

2.17. The identification of relevant archive sites was a complex process for two reasons. First of all, the search for relevant documents required sifting through a considerable volume of archived material. Second, it was necessary to identify the relevant archive sites from among the considerable number of sites currently occupied by AXA France.

The volume of archives to be examined

2.18. The sheer volume of archives of which AXA France is currently in possession can be attributed to the size of the AXA Group in France (currently annual premium income of € 16,5 billion for the year ended December 31, 2000, for a customer base of around 8 million). This business volume naturally generates a great deal of paperwork, which explains why the central archive facilities contain more than 300 linear kilometres of archives. The physical space occupied by AXA France is considerable: more than 170 different physical premises housing a variety of activities. Finally, the volume of historical records archived is also significant, since the companies constituting AXA France have accumulated and saved a great quantity of documents over time, including very old life insurance contracts. To our knowledge, only two significant events have occurred that could have destroyed archived material: a fire in the city of Rouen after an air bombing in 1944, and a fire that partially destroyed a warehouse near Paris in 1992.

Historical factors

2.19. The task was further complicated by the fact that AXA France was formed out of a series of mergers. Moreover, each of the five original groups comprising AXA France today had its own archiving procedures and, as far as historical records are concerned, these were rarely harmonised post-merger.

Legal structure

2.20. AXA France is a complex group of companies. Under the holding company, there are three major operating divisions (AXA Assurances, AXA Conseil and AXA Courtage), each of which manages a certain number of life insurance and non-life insurance companies. For example, the AXA Assurances division (premium income of € 6 billion for the year ended December 31, 2000, workforce of 5,500) manages most of its activities through stock and mutual companies. But it also manages insurance contracts underwritten by legal entities that fall under another division and which may in addition be managed by yet another division from an information systems perspective. This structure added to the difficulty of locating relevant documents, especially considering that the current legal entities do not bear any resemblance whatsoever to the original companies identified under Standard One.

Operating structure

2.21. The business activities of AXA France are decentralised, spanning the entire French territory. Identifying the relevant documents thus required, in addition to a full overview of the 9 central archive sites (which are located throughout France), ascertaining the possible existence of relevant documents at sites located in Paris and in the regions.

Approach

2.22. The Company stores unpaid life insurance contracts at central archive sites. Contracts that have been settled are generally destroyed 10 years after the settlement date, pursuant to legislation in force. Consequently, such paid contracts for the relevant period would not, in principle, have figured among the archived material.

First step

2.23. Identifying central archive sites. A central archive site comprises several tens of linear kilometres of archives (up to 120 kilometres for a single central site) relative to all types of business activity (life, non-life, personnel records, marketing documents, accounting records, IT, etc.) and encompassing all types of documents (contracts, claims files, index cards, internal memos, correspondence, storage boxes, listings, etc.), filed according to several different systems of classification and often covering vast historical periods. These central archive sites were immediately identified as relevant archive sites and systematically searched with PwC.

Second step

2.24. Directly approaching the heads of AXA France facilities. This initiative, which was initiated in October 1998 (well before the Audit Standards were set forth), enabled us to identify potentially relevant sites, even though in our estimation the responses we obtained were

inadequate. Our analysis included all the following operating centres: the 12 regional head offices of AXA Assurances (which occupy a total of 18 different physical sites), the seven head offices of AXA Conseil (10 physical sites), the seven regional offices of AXA Courtage (7 physical sites)...In all, 35 facilities located throughout France.

- 2.25. Among the AXA Assurances sites, three have been classified as central sites and hence were subject to detailed reviews by PwC, and six other sites were audited on a test basis by PwC to confirm the absence of relevant documents. Among the AXA Courtage sites, two were classified as central sites and hence were subject to systematic searches by PwC, and one site was audited on a test basis. The AXA Conseil sites were deemed irrelevant because this division archives its policies at the central archive sites already identified.

Third step

- 2.26. Directly approaching life insurance managers. This initiative, which was conducted in August 1999, entailed requesting that each of them draw up a list of sites that could possibly contain archived life insurance contracts. As a result, we were able to identify two new sites deemed relevant.

Fourth step

- 2.27. Identifying historical museums. We automatically classified as relevant the two company museums (the former AXA and former UAP museums) in which historical records of all types are maintained.

Fifth step

- 2.28. Review of the legal organisation chart of AXA France. This was done for the purpose of ascertaining the existence of any legal entities that were smaller than the three major operating divisions and could be in possession of relevant documents. This led to the identification of four additional relevant sites.

Sixth step

- 2.29. Crosscheck with the list of sites occupied by AXA France. This list contains 171 sites located throughout France. We extracted all sites involved in life insurance or containing life insurance archives, separating out the sites previously identified in connection with the investigation. No additional sites were identified.

STANDARD THREE

Context

- 2.30. In addition to the volume of archives that had to be examined, this task was complicated by:

The change in the notion of "relevant" document

- 2.31. The audit standards issued in March 1999 enlarged the notion of relevance; we had to consider as relevant all documents that could possibly contribute in any way to the processing of an

individual claim. It was necessary to thoroughly re-examine our archives and in some cases consider as relevant sites those sites which did not even house insurance contracts.

Condition of the archives

2.32. While overall our archives have been maintained in relatively good condition, it is nonetheless true that the aging of paper archives makes them difficult to utilise. Certain documents, particularly hand-written ones, are extremely difficult to decipher. Those issued more than 50 years ago often require special technical expertise.

Archiving procedures

2.33. Archive classification systems differ from one AXA France unit to the next depending on the original portfolios. Some companies filed contracts chronologically, others on the basis of contractual events (production, cancellation, etc.), still others on the basis of non-chronological numerical series.

Project timing

2.34. The very timing of the project was a source of added difficulty. The period during which central archive sites were being reviewed by PwC, which began in September 1998, extended over several months to May 1999. Throughout this period, archives were moved around during the normal course of business, a fact to which we had to be particularly attentive. In the same vein, but on a larger scale, we had to take into account the impact of current archive site management practices. For example, one of the nine central archive sites identified in 1998 was closed in 2000, and its contents were dispatched to other sites.

Approach

2.35. Once the relevant archive sites were identified, we endeavoured to complete an archive overview of each site. This meant examining nine central sites, six Parisian sites and the two museums. The resulting documentation was useful to identify several types of documents as relevant.

Unpaid life contracts

2.36. Naturally, our research initially focused on unpaid life insurance contracts underwritten prior to 1946, since according to archiving procedures in force at AXA France, these documents should have been kept on file. Nonetheless, the notion of unpaid life insurance contracts was very broadly interpreted to extend beyond the usual definition. Consequently, we extracted from archive sites contracts for which the files contained an internal accounting payment record, but for which the settlement form had either not been signed off on by the beneficiary or was missing from the file altogether. Similarly, life insurance contracts underwritten prior to 1946 that were the subject of correspondence with the Company after 1945 were also extracted from the archives for input, although such correspondence implied that the beneficiary was still alive after the war. The database also contains contracts on which premiums were paid after 1945. Finally, if there was any doubt as to whether a contract had been paid, we classified the contract as unpaid for encoding purposes.

2.37. This operation, which entailed the movement of more than 600,000 physical files, enabled us to identify more than 50,000 life insurance contracts, the majority of which can be considered unpaid.

Paid life contracts

2.38. We also considered as relevant all life insurance contracts underwritten prior to 1946 and paid. These contracts were also systematically encoded into the contract database. The low number of such contracts is attributable to the fact that such contracts were normally destroyed pursuant to regulations in force.

Ledgers / Registers

2.39. In the course of our investigations, we also came across a significant number of ledgers and registers of all types -- accounting ledgers, share ledgers, policy registers, claims registers, etc. -- from a number of historical AXA France life insurance and non-life insurance companies. These ledgers, which are of varying shapes and sizes, generally contain hundreds of pages. Most of the oldest ones contain hand-written entries. We endeavoured to identify those that contained information relative to the period pre-dating 1946. We found more than 4,700 ledgers containing data from the period in question and covering life operations, non-life operations, accounting and shareholding records, etc. We then compiled a condensed inventory of these ledgers indicating the principal information they contained before storing them.

There were 1,093 ledgers that concerned life insurance companies: 394 of them were life insurance policy registers, while most of the others were accounting ledgers. We considered the 394 life insurance policy registers as relevant for assisting with the research and processing of incoming claims, and consequently placed them in a library to serve as a database to be used in connection with Standard 5. As discussed under standard 4, ICHEIC requested encoding on the electronic database detail from such policy registers under special technical terms

Storage boxes

2.40. Storage boxes are cartons in which various company departments archive a wide variety of documents (correspondence, memos, records, etc.). Contracts are not normally filed in such storage boxes. We estimated the number of such storage boxes at more than 700,000. While there was no reason to think that these boxes would contain relevant documents, nonetheless these boxes were searched on a test basis. The results of the search were statistically satisfactory: only two boxes contained documents that could be considered relevant. Consequently, we concluded that the storage boxes were not relevant to our investigation. However, since the two anomalous boxes did contain information relative to group insurance only, we expanded the scope of our investigations with respect to group policies.

Group insurance documentation

2.41. We began with the two storage boxes identified above. One of them was from the department of a former UAP company, code number 2865. The other was from the "GRD" department of a former AXA company. We decided to open all of the boxes pertaining to the department with the code number 2865 (1,800 boxes) and to test the 1,500 boxes coded GRD for relevant documents. This detailed analysis of the contents of these boxes yielded more than 50,000 group insurance records cards, 1,400 group insurance contracts and 1,500 deferred annuity policies issued under a group policy that indeed pertained to the relevant period.

- 2.42. Given the relevance of this finding, we decided to extend our investigations to 12 other departments involved in the administration of group employee benefits. More than 7,000 storage boxes originated from the departments in question. This inventory was reviewed on a test basis with PwC. Of the 1,400 boxes tested, only 18 contained a limited number of internal administrative documents pertaining to contracts underwritten prior to 1946. Moreover, these documents offered only sketchy information. Consequently, based on such findings we concluded that no further work in this area was deemed necessary as it was unlikely to yield additional relevant records.
- 2.43. We did, however, pursue our investigation into two particular departments that managed retirement contracts. The entire inventory of more than 1,900 storage boxes was audited on a test basis using a similar sampling methodology, yielding more than 60,000 group insurance record cards related to group contracts in force during the relevant period. We considered these documents as relevant for the purpose of establishing our manual databases, even in cases where they pertained to annuities paid out after 1945.
- 2.44. In addition, we consulted the employee benefits-retirement file currently used by the group insurance department and concluded that it also included administrative records pertaining to the relevant period. Consequently, this group of more than 75,000 records was also considered as relevant, even though the bulk of these records pertain to the period after the relevant period.
- 2.45. In conclusion the various tests conducted on group insurance business covered more than 5,100 storage boxes. In all, there are more than 185,000 group insurance record cards, 1,400 group contracts and approximately 1,500 annuity contracts taken out under group policies.

Microfilm records

- 2.46. We identified around 800 individual rolls of microfilm containing life insurance production records. A rapid test revealed that there were probably around 2,800,000 micro-records archived on microfilm, each of which represented a contract. We tested to ascertain whether or not these microfilm files pertained to the relevant period. Since this review yielded only four contracts, with three of which issued in 1945, we concluded that these rolls of microfilm were highly unlikely to yield records relevant to our investigation.
- 2.47. All of the aforementioned relevant documents were used to constitute the databases built to facilitate the processing of individual claims pursuant to the terms of Standard 5.

Location and security of relevant records

Paid and unpaid life insurance contracts

- 2.48. All contracts identified as relevant were archived in a segregated, secure location. This is equipped with an alarm system and is guarded around the clock. In addition, a fire protection system was installed. Anti break-in equipment was installed in the corridors and staircases that lead to the rooms, hooked up to a surveillance firm located in the vicinity.

Ledgers and registers

2.49. Life policy registers considered relevant were placed in a library located in the Tour AXA in Paris subject to very stringent security requirements.

Group files

2.50. Group policy documents have been stored.

Museums

2.51. Life insurance contracts that were identified in the former UAP so-called "museum" that were considered to be relevant were maintained on these premises.

Annuity files

2.52. These are active files currently in use, and hence could not be moved.

STANDARD FOUR

2.53. AXA France has four databases containing the relevant documents uncovered by our investigations of the archive sites :

- the life insurance contract electronic database;
- the manual database containing life policy registers;
- the manual database containing the group insurance record cards;
- the manual group insurance contract database.

Context

2.54. Given the chronology of the AXA France investigation, we began by constituting the electronic database of life insurance contracts considered to be relevant. This objective had to be adapted in the light of the requirements contained in the subsequent ICHEIC guidelines. This electronic database was followed by the manual database containing life insurance policy registers, the manual database containing the group insurance record cards and finally the manual group insurance contract database.

2.55. Since the end of 1997, the energy of most of our teams has been devoted to the constitution of this electronic database. In the most intensive phase, some 30 data entry operators worked full time to input data. Following the new ICHEIC requirements regarding encoding data from the policy registers, several assistants still continue to refine the electronic database.

2.56. After the audit standards were issued, thus broadening the definition of relevant document, we supplemented this initial database with three additional manual databases: the aforementioned

database of life insurance policy registers, the database of group insurance manual record cards and the group insurance contract database.

Approach

Life insurance electronic contract database

- 2.57. This electronic database is now fully integrated into a single tool and contains details from more than 60,000 contracts and policy register entries. It should be noted that this figure covers contracts issued outside the relevant period -- in particular, contracts written prior to 1920 (the oldest is dated 1852) -- and that a number of them originate in countries outside the scope of the investigation, such as Egypt, Iraq, Lebanon, and Vietnam.
- 2.58. The initial database, created in 1997, was subject to daily quality tests during the data entry phase so that anomalies could be corrected immediately. The database was also tested by AXA Group life actuaries to detect actuarial anomalies. This analysis revealed a 0.57% technical error rate indicating data anomalies which were subsequently corrected.
- 2.59. With the March 1999 audit standards of ICHEIC, we had to adapt our data input process:
1. by creating a new database using ACCESS software, which offers many additional functions, including matching capabilities;
 2. by increasing the number of input parameters to around 40 per contract, in order to capture the maximum amount of nominative data. There are now approximately 15 data fields that concern nominative information concerning the policyholder(s), the insured(s) and the beneficiary(ies);
 3. by instituting a double input process for data fields deemed particularly critical for the further processing of individual claims, such as the nominative fields.
- 2.60. At the end of this process and before the additional work carried out in 2001, the database contained information on more than 50,000 contracts with more than 150,000 names. The significant number of names facilitates the timely processing of individual claims.
- 2.61. Pursuant to ICHEIC's request as set forth in their letter of 5 July 2001, AXA France had to encode the following additional data included in the life policy registers: any individual life insurance policy issued during the relevant period and for which it appears in the registers that it was either cancelled ("contrat annulé") or converted to a paid up policy ("contrat réduit") between 1 January 1940 and 31 December 1947 whenever the register gives the family name and first name or family name and date of birth (as well as when those three parameters are known). In addition to the ICHEIC requirements and at the request of the auditors in order to avoid any ambiguity, AXA France also encoded details of those insurance policies contained in the manual registers where there was no explicit information concerning the status when the policy register would normally include such. This additional input enlarged substantially the database by approximately 20% with 10,365 policies encoded out of the life policy registers, increasing therefore the total number of names included in the database above 160,000.

The database of life insurance policy registers

2.62. This database contains the 394 life insurance policy registers that were identified and analysed pursuant to Standard Three (see above). It was manually structured into an organised library, with documents cross-filed chronologically and by original company and listed in a computerised index containing the following information: a reference number, the name of the insurance company, the period covered by the register, the numbers of the first and last contracts listed in each register, a mention of the presence of nominative information or contract status, and commentary on the general readability of the information contained in the register.

The database containing group record cards

2.63. This database contains record cards relative to group insurance. The file references around 75,000 record cards pertaining to employee benefits and retirement in respect of group insurance contracts, some of which were underwritten prior to 1946. This manual database has been integrated into the process for handling individual claims defined under Standard 5. The same applies to a file containing around 110,000 employee benefits and retirement records relating to group contracts of the same type as mentioned previously.

The group insurance contract database

2.64. The 1,400 group contracts that were identified in connection with Standard Three were grouped into a separate database. A special index was compiled containing a list of all group contracts and the information relative to the policyholders of such contracts, in order to facilitate the search for individual files.

STANDARD FIVE

2.65. We have implemented an individual claims handling process pursuant to ICHEIC guidelines. This process is currently functioning apace with the Eastgate referrals.

Context

2.66. Implementing a rapid and efficient individual claims handling process as per the requirements of Standard Five primarily entailed:

- setting up a dedicated team to this effect
- developing an information management system dedicated to such process
- structuring the claims handling process.

2.67. The databases described above form the backbone of the claims handling process. Since each of the four databases has its own particular configuration, the research procedures were prioritised between them and differentiated for each one.

2.68. In order to simplify the administrative task of the ICHEIC, AXA France is also the recipient of Eastgate sourced claims concerning AXA subsidiaries in Belgium, Luxembourg, the Netherlands (directly sent to the Shoja Foundation since February 2001) and Italy. As such, AXA France is responsible for correctly routing claims to the relevant subsidiaries, which are nonetheless responsible for processing such claims under the terms of Standard Five.

Approach

Formation of teams

2.69. Employees involved in the claims handling process have been assigned to one of three special teams:

- The registration office responsible for the primary administrative tasks in the process.
- The technical analysis team inspects individual claims. These employees were given special training to ensure strict compliance with the settlement standards defined by ICHEIC.
- The compensation committee is composed of three senior managers of AXA France . It is responsible for ultimately approving any offer made to claimants.

Formalising the claims handling process

2.70. AXA France has developed three flowcharts to structure the process for handling individual claims. These were transmitted to the ICHEIC in April 2000.

Claims handling documentation

2.71. To ensure uniform handling of claims, we have devised an individual claim specimen file which comprises a number of standard documents to be completed during the claims investigation phase.

Development of a dedicated information system tool

2.72. We developed claims database using ACCESS software to provide us with overall information on the number of claims filed with AXA France and on the status of any pending claim. This also enables us to automatically manage processing deadlines in compliance with the standards set forth by the ICHEIC

Research methodologies

2.73. AXA France has developed investigatory methods that take into account the specific features of each of the four databases constituted as per Standard Four.

74. In the first phase, the electronic contract database is automatically searched. From the claims database, a crosscheck is made with the data of the electronic database, specifically on all names (whether policyholder, insured or beneficiary) on the basis of the following criteria: "Last name," "Last name + First name," "Last name + Year of birth," "Last name + First name + Year of birth,".
75. The second phase entails a search of the principal current information systems of AXA France, to ascertain the possible existence of a contract that corresponds to the claims data within the information systems that handle the principal current life insurance business of AXA France.
76. If the claim form indicates, in addition to the last name of the insured, the name of the issuing company and either the contract number or the date on which it was written, the database of life insurance policy registers is searched.
77. If the claim form indicates, in addition to the last name of the insured, the existence of a group contract and the name of the contracting company both the group insurance contract database and the database of group insurance administrative files are searched.

OVERALL CONCLUSION

- 2.78. Given the unique nature of this project, we took great care to work in such a way that our policyholders and shareholders but, above all the Jewish claimants and representative organisations as well as the insurance regulators, could trust what we did. We permanently adjusted our work according to the progressive elaboration of the different ICHEIC guidelines.
- 2.79. Needless to state that we have given unfettered access to our independent auditors from the very first moment we contracted them back in June 1998, that is more than three years ago.
- 2.80. Due to the strong commitment expressed on many occasions by the Management of AXA at Group level as well as at AXA France level and thanks to the personal commitment of the numerous and dedicated AXA France staff who have been working and are still working on this very special assignment, we think we have made as good faith and effective effort as we could and we have completed all additional work requested by ICHEIC; as a consequence, we believe that in all material respects we have met the ICHEIC requirements in terms of compliance with the Audit Standards.
- 2.81. But more important, we hope that this considerable endeavour will help, at last, to make justice to those who suffered in the past due to the Nazi persecution and to anti-Semitism on our own soil. The President of France, in a bold and forward-looking declaration, officially recognised the wrongdoings of our country, of its government and of the French people during one of the most dramatic period of our long history and the responsibility in the unique and unacceptable sufferings of the Jewish community; this effort of AXA France is, in a way, a modest but true testimony of such a recognition.

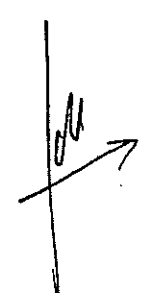
Paris, October 19, 2001



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AXA Assurances

PRIVILEGED AND CONFIDENTIAL

**ICHEIC AUDIT WORKING GROUP
AUDIT SCOPE AND STANDARDS**

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OBJECTIVES FOR SCOPE AND STANDARDS

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OBJECTIVES FOR SCOPE AND STANDARDS

During the ICHEIC meeting in Washington on 20-21 January 1999, the overall audit approach of the AWG, as in the Executive Summary, was accepted and notably it was understood that “the existence and content of company archives varies from country to country and from company to company. As the number of claims (and potential exposure) will also vary, the standards as well as the scope of audit may therefore vary from country to country.” Based on these principles, the AWG has developed 5 broad standards and benchmarks with the following objectives in mind:

- To establish standards which ensure “the expeditious processing of all inquiries received (i.e. claims driven process) in a just and cost-effective manner in accordance with the claims handling guidelines established by the IC, and allow the assessment by way of a top down analysis of the total unpaid policies issued to Holocaust victims.”
- To ensure that consistent investigative standards are applied by all Insurers participating in the ICHEIC process.
- To establish standards which can be subject to independent “audit” in order to satisfy external public scrutiny.
- To satisfy investigative requirements resulting from other ICHEIC decisions.

STANDARD ONE

Identify Relevant Companies

"Insurers" will identify all "Relevant Companies" which exist at 31 December 1999.

Definitions

Insurers

Includes all insurers participating in the MOU process (i.e. Allianz, AXA, Generali, Winterthur and Zurich to date)

Relevant Company

A company that issued life insurance policies during the period 1920 - 1945 inclusive, in a relevant country, including a subsidiary or branch office, where a control-relationship exists today or, in countries where nationalisation occurred, where control existed before nationalisation.

Relevant Country

Nazi Germany and Areas Occupied by Nazi Germany. Specifically, in the context of a reasonable cost and timeframe, these countries are:

Austria, Belgium, Czech Republic, Germany, France, Hungary, Italy, Luxembourg, The Netherlands, Poland, Slovakia and Romania.

STANDARD TWO

Insurers will identify their Relevant Archive Sites

Insurers will identify their "Relevant Archive Sites".

Definitions

Relevant Archive Sites

Those Insurer "Archive Sites" that might potentially contain "Relevant Records".

Archive Site

Any Insurer location (i.e. owned, leased or managed by third party sub-contractors) containing policyholder documentation of the company.

Relevant Records

Relevant records are:

- available "Policyholder Files" and other available company records to verify coverage for the purposes of the ICHEIC claims handling process; and
- other company data suitable to be used in the "Top Down Analysis".

Policyholder Files

Contracts, namecards, policy numbers, related correspondence, information and data for life insurance policies issued in the period 1920 to 1945, inclusive.

STANDARD THREE

Identify and Secure Relevant Records

For all relevant Archive Sites, prepare an overview which describes their content.
Further, identify, organise and secure Relevant Records within these sites.

STANDARD FOUR**Develop Investigations Database**

Insurers will identify and make available to the ICHEIC auditors (dependent on local regulations and availability), based on their findings in relevant company archives as defined in Standard 2, and using any other additional information from company records which will materially help their investigation of claims of Holocaust victims, an electronic and/or manual database and/or combination thereof, of the life insurance policies⁽¹⁾ issued to "Holocaust victims" (to the extent possible according to the definition agreed by the ICHEIC) during the period 1920-1945 inclusive. The database will include, at a minimum, where available, the "name" (first and last name and maiden name), policy number and the place and date of birth of the policyholder.

(1)

The term "life insurance policies" is used broadly to include all forms of life insurance, such as annuities, endowments, and dowries. The fact that the database(s) described above only consists of life insurance policies does not exclude the consideration of claims on other forms of insurance policies issued to "Holocaust Victims". If a company and the ICHEIC auditor disagree with the audit work plan, then the matter will be brought to the attention of the ICHEIC for a final decision.

STANDARD FIVE

Investigate Incoming Claims

Insurers will develop expeditious and reasonable systems and procedures for the investigation¹ of all claims received² and will describe their investigation activities by way of a workflow chart³. Each claims file will contain a completed audit trail which allows auditors to validate on a sample basis the investigation against the agreed claims handling process in each company.

* ¹ Each insurer can have different procedures in place for the investigation and handling of claims tailored to its individual circumstances, i.e. an approach that works for one Insurer may not work for another due to differences in systems, etc.

² Either directly or via the ICHEIC as set out in the draft Report of the Claims Working Group to the ICHEIC.

³ Work flow chart as introduced in the draft Report of the Claims Working Group to the ICHEIC.

AXA FRANCE

**REPORT OF INDEPENDENT AUDITORS
ON THE COMPLIANCE OF AXA FRANCE
WITH THE ICHEIC AUDIT STANDARDS**

22 OCTOBER 2001

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INTRODUCTION

- 1.1. This report provides our assessment of the compliance of *AXA France Assurance*, *AXA Assurances Vie Mutuelle* and *AXA Conseil Vie Assurance Mutuelle* (together "AXA France" or "the Company") with the requirements of the five Audit Standards issued by the International Commission on Holocaust Era Insurance Claims ("ICHEIC") in March 1999.

BACKGROUND

- 1.2. The ICHEIC was established pursuant to a Memorandum of Understanding of August 1998 between certain European insurance companies including the AXA group and its subsidiaries (together the "AXA Group" or "The Group") participating on a voluntary basis, a number of European and United States insurance regulatory authorities, the State of Israel and Jewish and Holocaust survivor organisations. As stated in the Memorandum of Understanding, the objective of the ICHEIC is to ensure that "...a just process shall be established that will expeditiously address the issue of unpaid insurance policies issued to victims of the Holocaust".
- 1.3. The Memorandum of Understanding envisaged the conduct of "...an investigatory process to determine the current status of those insurance policies issued to Holocaust victims during the period of 1920 to 1945 for which claims are filed with the International Commission. To assess the remaining unpaid insurance policies of Holocaust victims, a reasonable review will be made of the participating companies' files. ...The International Commission or its participating companies shall retain one or more internationally recognized auditing firms...". The AXA Group initially engaged PricewaterhouseCoopers ("PwC") in June 1998, prior to the formation of the ICHEIC, in order to assist the Group with its Holocaust related research efforts.

- 1.4. To provide a framework and methodology guidelines for the accomplishment of its objective, the ICHEIC issued an Audit Mandate in March 1999, together with five related Audit Standards for use by the insurance companies and their independent auditors. The Audit Standards are designed to cover all aspects of the investigation, from the identification of predecessor companies that may have issued life insurance policies in the period under review, to the establishment of systems and procedures for dealing with incoming claims.
- 1.5. In providing a framework for the assessment of the insurers' own internal investigations, the Audit Mandate established a number of principles concerning the conduct of the investigation. In particular, the Audit Mandate recognised that "*...an investigation of this nature requires an appropriate approach if a full accounting within a reasonable cost and time framework is to be met*".
- 1.6. The Audit Mandate stops short of providing a definition of "*an appropriate approach*" or a means of reconciling the apparently competing requirements of "*...a full accounting within a reasonable cost and time framework*", and inevitably these matters remain subjective. The Audit Mandate clearly recognises, however, the need for a flexible approach to the investigation tailored to the specific circumstances of the company involved. Similarly, the Audit Mandate acknowledges that the procedures employed may vary both from country to country and from company to company. "*It is recognised that individual circumstances will differ widely not only from insurer to insurer but also between different countries and perhaps regions within countries*".

RESPONSIBILITIES

- 1.7. As a member of the AXA Group that is a signatory to the ICHEIC Memorandum of Understanding, AXA France is responsible for achieving compliance with the Audit Standards and for the work carried out in relation thereto.
- 1.8. It is the responsibility of PwC to consider whether AXA France has, in our professional judgement, complied with the requirements of each Audit Standard in the context of the ICHEIC Audit Mandate.

THE AXA FRANCE INVESTIGATION

- 1.9. The Company commenced its investigation to identify life insurance policies from the Holocaust era in September 1997, some eleven months prior to the founding of the ICHEIC. The Company's initial efforts were focused on the identification of life policies issued by *L'Union*, a former UAP group company. This exercise was undertaken in the context of a class action law suit brought in the United States in 1997.
- 1.10. The scope of the Company's investigative efforts has evolved since 1997 in order to reflect the parameters established in the Memorandum of Understanding of August 1998 and the subsequent broader definition of records considered relevant to the investigation contained in the Audit Mandate of March 1999.
- 1.11. AXA France resources deployed in the investigation with whom we have liaised in the course of our work as external auditors include department managers, archivists, information systems specialists, actuaries, claims specialists and other insurance and operational personnel. The Company also commissioned a university professor from the Sorbonne, an independent economic historian and archive researcher, to assist with its Holocaust investigation.
- 1.12. The process of identifying, collecting, reviewing and organising the relevant information obtained in the course of the investigation has proved complex, costly and time-consuming. This is primarily attributable to a combination of the following:
- The significant number of AXA France predecessor companies established and operating prior to the Second World War. AXA France in its current form has developed from some eighty different legal entities, certain of which originated more than 150 years ago.
 - The scale of the Company's decentralised operations throughout France and the related number of archive sites. Following the merger with UAP in 1997, the Company currently maintains more than 170 different operating facilities in France, both in Paris and the regions.

- The significant volume of documentation from the period prior to the Second World War which is still remaining in the Company's archives.

THE AUDIT STANDARDS

1.13. The summary headings used in each Audit Standard provide an indication of the key requirements of the Standards. These are set out below:

Audit Standard	Summary Heading
One	<i>"Identify all Relevant Companies which exist at 31 December 1998"</i>
Two	<i>"Identify Relevant Archive Sites"</i>
Three	<i>"Identify and secure Relevant Records"</i>
Four	<i>"Develop investigations database"</i>
Five	<i>"Investigate incoming claims"</i>

1.14. We summarise below the key steps taken by AXA France in order to comply with the Audit Standards together with the principal procedures employed by PwC in order to test and assess compliance.

Audit Standard One

1.15. In summary, this Audit Standard required the identification of all AXA France predecessor companies, including subsidiaries and branches, that issued life insurance policies in the period 1920 to 1945, inclusive.

- 1.16. AXA France used both internal and external sources of information in order to compile the list of twenty-two predecessor life insurance companies in France for the purposes of facilitating the proper disposition of Holocaust era claims. This list has been delivered to the ICHEIC.
- 1.17. The Company carried out its own research primarily using various French insurance regulatory reports in order to “roll forward” to the present day the policy portfolios of the life insurance companies featured in an official list of insurance companies operating in France in 1937 published by the Ministry of Labour, taking into account mergers, portfolio transfers, liquidations and changes of name where appropriate.
- 1.18. In addition, the independent economic historian constructed a corporate genealogy chart using both information obtained from the professional association of insurers operating in France and internal records located in various AXA France archives, as well as the results of interviews conducted with certain current and former Company employees.
- 1.19. The independent historian also reviewed the available Board Minutes of the AXA France predecessor companies located in the Company’s archives in order to identify references to foreign operations and create a simplified group structure chart for foreign operations. In order to complement this work and reasonably ensure that no significant entities had been omitted from the work performed by the independent historian, the Group carried out a market share analysis using external insurance industry data obtained primarily from the “Assekuranz” yearbooks. These yearbooks provide an analysis of the market share of the various domestic and foreign insurance companies operating in the major European territories in the period prior to World War Two.

1.20. Our work performed in order to test the Company's assertion that it had identified all relevant predecessor companies primarily comprised a comparative analysis of the results of the research undertaken by the independent historian and the Company with certain additional independent sources of information. We also compared the results of the various research projects with the references to company names contained in the documentation identified in the AXA France archives as a result of the systematic searches carried out for the purposes of Audit Standard Three. This enabled us to ensure that all the life insurance companies for which records had been identified from the period under review were included in the list of twenty-two AXA France predecessor companies.

Audit Standard Two

1.21. In the light of the number and geographical spread of the Company's premises throughout France, the work performed in respect of this Audit Standard was focused on the identification of those locations, both archives and operational sites, considered the most likely to contain the significant majority of the records still in existence today that may be of relevance to the investigation.

1.22. The principal sites identified by AXA France were the dedicated central archives where documentation is stored that is no longer required in the Company's operational locations. These storage facilities are vast in size, holding in excess of 300 linear kilometres of documents. The Company considered that, even if the practice of periodically transferring documentation from the operating sites to the central archives had not been consistently followed in the period since the Second World War, the size and nature of the central document archives, together with the volume of documents stored there, meant that it was reasonable to assume that the significant majority of the Relevant Records still in existence were held in these locations.

1.23. AXA France also circularised the heads of a number of the regional operating locations and the heads of the Company's various life insurance operations in order to identify additional sites where documents of relevance to the investigation may be stored. We reviewed the results of the circularisation procedures carried out by the Company and selected a number of sites to be visited in order to confirm the results reported by local management.

- 1.24. In order to test the completeness of the Company's findings, we performed certain analytical procedures to define the parameters of the investigation and ensure that all of the Company's properties had been considered in the search. These procedures primarily consisted of an analysis of a database of the Company's operating premises maintained independently within AXA France, and a review of the AXA France organisational and corporate structure to ensure that all entities carrying out life insurance had been included in the scope of the investigation.
- 1.25. The Sampigny site is not a working archive but rather a temporary holding area for documents destined for destruction in accordance with the Company's routine document management and storage procedures. This site was rented by the Company specifically to handle the overflow of documentation arising as a result of the Company's decision to suspend the routine destruction of documents pending the completion of its Holocaust investigation. This site was considered as relevant within the context of audit standard 2.
- 1.26. Twenty-four locations were identified as a result of the work performed in respect of Audit Standard Two and subsequently visited in order to carry out systematic searches for records of potential relevance to the investigation.

Relevant Archive Sites

- 1.27. Audit Standard Two requires the identification of "Relevant Archive Sites". For this purpose, Relevant Archive Sites are defined in the Audit Standard as "*Those insurer Archive Sites that might potentially contain Relevant Records*". This definition does not contain any reference to the likelihood or the probability that an archive may contain Relevant Records. Accordingly, in our judgement any site that may possibly contain policyholder documentation may be considered as relevant for the purposes of this investigation. It follows, therefore, that any and all of the some 170 AXA France operating locations throughout France, with the possible exception of the premises where the Company carries out its investment management operations, are captured by the above definition and could be treated as Relevant Archive Sites.

1.28. The ICHEIC Audit Mandate recognises the need for a flexible approach to the investigation, however, given the particular circumstances of the company involved. In the context of the requirement for “...an appropriate approach...within a reasonable cost and time framework...”, AXA France and PwC sought to achieve a pragmatic solution to the problem posed by the above definition and the extensive number of the Company’s operating facilities by adopting a risk based approach and focussing on those locations more likely to contain Relevant Records as a result of a number of factors including, for example:

- The archiving practices of AXA France. The Company’s practice is to periodically transfer policies that are no longer current from the operating locations to a number of dedicated central archives.
- The nature of the operations carried out at the premises and the legal entity to which the premises belong. Premises used for carrying out non-life insurance, for example, were considered unlikely to contain documentation relating to life policies.
- The location and history of the premises.

1.29. Had systematic searches been conducted at all the Company locations, including those considered unlikely to contain Relevant Records, it is possible that additional records relevant to this investigation may have been located.

1.30. In keeping with the requirements of the ICHEIC Audit Mandate referred to above, however, the efforts of AXA France and PwC were concentrated on identifying those locations that, in our judgement, would yield the greatest volume of records of potential relevance to the research and investigation of incoming claims.

Agents' premises

1.31. The Company has informed us that the premises occupied by independent insurance sales agents throughout France are generally not owned or leased by AXA France but are the responsibility of the agents themselves. As such, in accordance with the definition of an Archive Site contained in Audit Standard Two, these premises were not considered to be "insurer locations" and have not been included in the scope of the Company's investigations. In certain cases, however, it is possible that sales agents may occupy and lease premises that form part of the AXA France real estate investment portfolio.

1.32. It is worthy of note that, in the course of their research concerning independent sales agents, the Insurance Supervisory Committee of the Matteoli Commission, a body established by the French government in order to investigate the treatment of Jewish assets in France, contacted the presidents of the principal agent-broker trade unions in France – the "*Fédération Nationale des Syndicats d'Agents Généraux d'Assurance*", the "*Fédération Française des Courtiers d'Assurance et de Réassurance*" and the "*Syndicat Français des Assureurs-Conseils*"- in order to determine the extent of any relevant information from the period under review that may remain in the possession of their members. The English translation of the Insurance Supervisory Committee report of November 1999 states the following:

"The results of efforts on the part of these organisations to obtain information from their members were presented to the Committee. Both organisations had begun by contacting the firms or agents that existed in 1940 and are still in existence. As a result, they reported that virtually no documents had been archived by intermediaries, who have no legal obligation to do so".

1.33. We did not carry out any searches for records of potential relevance to the investigation at agent premises.

Reinsurance company premises

1.34. It is possible that the Company's reinsurers may have archives containing policyholder information of relevance to the investigation. Reinsurer locations, however, are third party sites and as such do not fall within the scope of Audit Standard Two, which only requires the identification of archive sites at premises owned or leased by AXA France, or sites managed on behalf of AXA France. As such, our testing did not cover premises belonging to the Company's reinsurers. In addition, we did not carry out any procedures with respect to AXA Group reinsurance companies. Our focus, and that of AXA France, was on direct life insurance operations.

Audit Standard Three

1.35. In summary, this Audit Standard required the identification, organisation and securing of records of potential relevance to the investigation.

1.36. All of the locations identified in Audit Standard Two were visited and a preliminary inspection of the premises was carried out. Where appropriate, overviews of the contents of the archive were prepared during our initial visits. Systematic searches of these locations were subsequently carried out. In many cases these searches were performed over a number of days. In addition to policy documents, we identified life policy registers and manual record cards and contracts relating to group policies that were of relevance to the investigation. Documents identified relating to policies issued prior to 1946 were generally centralised at Bar-le-Duc, one of the Company's dedicated archives, and stored in a segregated, secure location.

- 1.37. In the course of the systematic searches of the archives including those contained in the Sampigny site we noted some 723,000 document storage boxes containing Company records. Given the volume of documentation involved we carried out statistical sampling procedures in order to test the contents of these boxes and determine whether they contained records that may be of potential relevance to the investigation. The results of our testing were satisfactory within the parameters of the statistical sampling exercise and we were able to conclude with a 95% confidence level that the storage boxes did not contain documentation of relevance to the investigation.
- 1.38. The exceptions noted were within the tolerable error rate of 1% of the sample of boxes tested for the purposes of the statistical sampling exercise and all related to records from the AXA France group life insurance departments. The Company subsequently carried out an additional review of a sample of the boxes of records located in the archives from these departments. As a result of this work, additional manual record cards and group policies from the period under review were identified and subsequently centralised.

Savings Contracts

- 1.39. In the course of our visits to the dedicated central archives, we noted a significant volume of documentation relating to savings contracts. Although these products are distributed and regulated by insurance companies, savings contracts are not life insurance products.
- 1.40. The savings contracts are bearer documents and as such are completely portable. While the issuing company generally retains a record of the contract number and the details of the original subscriber, a proof of identity or of any link to the original subscriber is not required in order to make a claim under a contract.
- 1.41. In general, savings contracts cannot exceed thirty years in duration. If any entitlement due under a savings contract has not been claimed after a further thirty years following the expiry of the term of the contract, the issuing company is obliged to pay any monies due in respect of unclaimed entitlements to the "*Caisse des Dépôts et Consignations*", a state financial institution. It is this organisation which then processes any future claims in respect of these savings contracts.

- 1.42. AXA France has informed both ourselves and the ICHEIC that the Company has periodically paid over unclaimed amounts in respect of savings contracts to the “*Caisse des Dépôts et Consignations*” in accordance with the procedures outlined above. In addition, we understand that the Company has retained vouchers evidencing the periodic payments made to the “*Caisse des Dépôts et Consignations*”. AXA France has not sought to identify savings contract documentation from the period under review and centralise this for the purposes of assisting with the research and investigation of incoming claims. The Company’s view is that any such claims with respect to savings contracts should be processed and settled by the “*Caisse des Dépôts et Consignations*”.
- 1.43. We have not carried out any test procedures to ascertain whether the Company has systematically made payments to the “*Caisse des Dépôts et Consignations*” in respect of savings contracts that have not been claimed for a period of thirty years following the expiry of the term of the contract, in accordance with the regulations governing these products.

Audit Standard Four

- 1.44. In summary, this Audit Standard required the compilation of either electronic or manual databases of certain policyholder information contained in the policy records located as a result of the archive searches. The information specified included the first, last and, where applicable, the maiden names of the policyholder, together with the place and date of birth of the policyholder.
- 1.45. AXA France has established both electronic and manual databases for the purposes of this Audit Standard. The electronic database primarily contains the details of paid and unpaid individual life policies issued in France prior to 1946. The manual databases comprise policy registers containing details of life policies issued by various AXA France companies prior to 1946, manual record cards relating to group life policies issued in the period from 1929 to 1979 and a number of group life policies.

- 1.46. Recognising the time that has elapsed since the Holocaust era, the ICHEIC considered the effectiveness of the AXA France manual databases as tools for claims investigation and requested that the Company input additional information from the policy registers to the electronic database.
- 1.47. Following written direction from the ICHEIC dated 5 July 2001, AXA France encoded, from the policy registers, selected policies subscribed during the period 1920-1945. The encoding was done in an effort to capture, in electronic form, as effectively as was considered practicable by the ICHEIC within a reasonable cost and timeframe, potentially unpaid Holocaust era policies. The principal selection criterion for the additional encoding was the identification of those instances where the policy register entry included nominative information and showed the policy as having been cancelled ("*contrat annulé*") or converted to a paid up policy ("*contrat réduit*") by the Company between 1 January 1940 and 31 December 1947. The objective being to identify policyholders who may have been unable to pay premiums due to events related to the Holocaust.
- 1.48. In addition to the ICHEIC requirements and at the request of PwC, AXA France also encoded details of those direct insurance policies contained in the manual registers where there was no explicit information concerning the status when the policy register would normally include such.
- 1.49. Our testing of the electronic database was designed to assess whether all of the policies from the period under review identified in the course of the systematic archive searches and subsequently centralised had been appropriately captured. In addition, we tested the accuracy of the information input to the electronic database by reference to the underlying policy documentation. Our testing in this area was primarily focused on the policyholder data fields specified in Audit Standard Four. The results of our work indicated that in approximately 97 % of the cases tested, the Company should be able to routinely match the policyholder names provided by claimants, enabling the investigation of the appropriate underlying policy files, where such exists, as part of the claims handling process.

- 1.50. Further, we performed testing to assess whether the policy register additional encoding exercise had been carried out in accordance with the selection criteria identified by the ICHEIC and that the relevant data had been input accurately to the electronic database.
- 1.51. We also carried out testing to assess whether the hard copy records identified in the course of the systematic archive searches and comprising the Company's manual databases had been appropriately centralised, or, where the records were still required for the purposes of ongoing policy administration, they had been segregated and were stored in a secure location.
- 1.52. We noted that with the exception of the additional encoding from the manual databases referred to above, the ICHEIC agreed, in its 5 July 2001 letter, that no further work was required for AXA France with respect to the ICHEIC Audit Standards.

Audit Standard Five

- 1.53. This Audit Standard required the Company to develop reasonable and expeditious systems for the research and investigation of incoming claims.
- 1.54. The claims investigation procedures developed by the Company envisage the use of the databases compiled for the purposes of Audit Standard Four, together with certain of the Company's computerised portfolio management systems. The key elements of the current procedures established by the Company for the investigation and research of incoming claims are summarised below:
1. AXA France claims researchers carry out electronic matching procedures between the database containing the details of the individual life policies located in the archives and a database developed to record the details of all incoming claims, including all the nominative information provided by the claimant. The purpose of the matching routines is to assist with the identification and retrieval of the underlying policy documentation in order to enable the claim to be further investigated.

2. If the electronic matching procedures are unsuccessful, a systematic search of the principal computerised life policy administration systems of AXA France is performed in an attempt to identify any policy records relevant to the claim.
 3. When the claimant is able to complete certain relevant information requested in the claim form, claims in respect of individual life policies are researched in the manual database of life policy registers. Similarly, depending on the information provided by the claimant, claims in respect of group policies are researched in the manual databases of hard copy record cards and group life policies.
- 1.55. While decisions with respect to the claims handling process were the responsibility of AXA France management, PwC worked with AXA France in order to identify and validate the principal elements of the claims administration and investigation process for the purposes of Audit Standard Five.

COMPLIANCE WITH THE AUDIT STANDARDS

- 1.56. Based on the work we have performed as summarised above, nothing has come to our attention which causes us to believe that AXA France has not complied, in all material respects, with the requirements of the Audit Standards.

COMPLETE AND UNFETTERED ACCESS

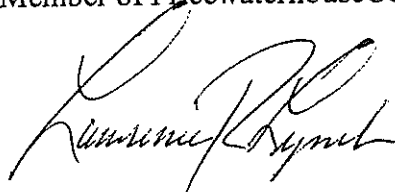
- 1.57. The Guiding Principles of 29 June 2000 issued by the ICHEIC which govern the Extended Peer Review process require the external auditor to issue a statement confirming that the principle of complete and unfettered access to relevant records, established in the Memorandum of Understanding, has been complied with.
- 1.58. The management of AXA France has represented to us that they are not aware of any books, records or file archives that may be of relevance or potential relevance to the investigation that have not been made fully available to us in the course of our work. We confirm that we have been given unfettered access to Company locations in the course of our work.

THE MANAGEMENT REPORT OF AXA FRANCE

- 1.59. The procedures adopted, and the work performed by AXA France in order to comply with the Audit Standards, are described in the Management Report of AXA France.
- 1.60. We have read the Management Report of AXA France. Based on our reading of this report and our work performed as summarised above, nothing came to our attention that causes us to believe that Part II of the Management Report does not fairly describe the procedures adopted by AXA France to comply with the five ICHEIC Audit Standards. Our conclusion with respect to the Company's compliance with the Audit Standards is set out above at paragraph 1.56.

Paris, October 22, 2001

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Member of PricewaterhouseCoopers



Lawrence R. Lynch