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International Commission on Holocaust Era Insurance Claims  
1 Waterhouse Square  
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London  
EC1N 2ST

Our ref: RRW/HMJ/cr

14 February 2006

Dear Sirs

**Report to The International Commission on Holocaust Era Insurance Claims in respect of Generali Lebensversicherung AG's Compliance with the Stage 2 Audit Requirements**

In accordance with the engagement letter from you dated 10 May 2005, we have reviewed the processing of claims by Generali Lebensversicherung AG ("the Insurer") under Standard Five of the five audit standards promulgated by ICHEIC and taking into account certain additional ICHEIC standards and procedures annexed to the engagement letter which cover Standards of Proof and Valuation Guidelines. A summary of our work is set out in the Appendix accompanying this report.

We reported to you as the Stage 1 peer review auditor on the compliance report issued by PricewaterhouseCoopers into Insurer's compliance with Standards 1 to 5 in a report presented at the December 2004 debrief meeting and, whilst we have not repeated any of the work carried out at that time, nothing has come to our attention to indicate that the Insurer is not still in compliance with those standards.

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.

Based on the work performed by us referred to in the accompanying appendix:

- In our opinion, the Insurer has processed claims sent to it by, or on behalf of, ICHEIC in accordance with ICHEIC Audit Standard 5 and the additional standards and procedures annexed to our letter of engagement.

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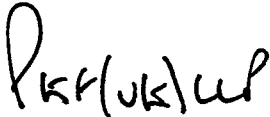
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- The Insurer has fulfilled its obligation agreed at the December 2004 debrief meeting by reprocessing declined unnamed claims that had been originally processed prior to the implementation of the current claims investigation software and search processes.

Yours faithfully

  
PKF (UK) LLP

14 February 2006

## Stage 2 Audit ~ Overview of audit approach

### *Audit approach*

We adopted a risk based audit approach that concentrates audit resource on those areas of the Insurer's claims investigation and search procedures ("CISP") that are at greatest risk of giving rise to an incorrect decision, and those areas specifically identified in the letter of engagement for testing.

To develop our risk based audit approach, we reviewed the specific testing requirements set out in the letter of engagement and we undertook a detailed risk assessment and controls evaluation. As part of this assessment we confirmed with the management the current operation of CISP and we performed "walk through procedures" to confirm that the system was operating as it had been described. We also compared the current operating system to that which was operating up to the date of our Stage 1 peer review in 2004.

As was established during the Stage 1 audit and peer review process, the above risk assessment and controls evaluation identified that the claims investigation and search process is built around a system that is based on electronic search tools. The electronic search tools and systems configuration have controls to ensure:

- the integrity of the underlying research data;
- the integrity of the application software such as the proper operation of the key electronic functions of CISP (e.g. searching against key fields and name variation); and,
- the security of the claims investigation search process.

Due to the proximity of our Stage 2 review to the completion of the Stage 1 audit, during which the operation of CISP was extensively tested by the Independent Auditor, and the requirement that PKF assesses the extent of the Insurer's compliance with its obligation to reprocess all declined unnamed claims that had been originally processed prior to the implementation of the current claims investigation software and search processes, we did not undertake any further Computer Assisted Audit Techniques. We did, however, use a Computer Audit Specialist to carry out a review and perform limited testing of the Insurer's systems and to review the work undertaken by the Independent Auditor.

The objectives of this review and further testing were to assess:

- whether the security procedures were operating as planned;
- the appropriateness and adequacy of the controls inherent in the electronic system
- the extent and depth of the Independent Auditor's testing;
- the significance of their findings relevant to our own test objectives; and,
- the likely risk of an incorrect decision being made as a result of the operation of the electronic components of CISP.

Having completed our controls evaluation and risk assessment, the main focus of our audit approach was the use of traditional substantive and compliance based audit procedures through testing a statistical sample of 300 claims taken from the total population of claims received by the Insurer.