Statement of
The Honorable Lawrence S. Eagleburger
Chairman, International Commission on Holocaust Era Insurance Claims

before the

U.S. House of Representatives

Committee on Government Reform

September 16, 2003

INTRODUCTION

As Chairman of the International Commission on Holocaust Era Insurance Claims ("ICHEIC" or "the Commission"), I have been entrusted to help establish and run an organization capable of resolving unpaid Holocaust era insurance claims. This attempt to bring a measure of justice to Holocaust victims decades after the events -- on the basis of incomplete or nonexistent records and in the face of hostility and resistance -- has no precedent. I undertook this job because I believe profoundly in the mission of this organization. I wanted to use my experience to help those who have for so long been denied recourse to address their claims and who have for far too long been denied justice. My tenure as Secretary of State capped an over thirty-year career with the U.S. Department of State spent trying to make a difference for my country in understanding and dealing with complex and difficult international issues. Administering ICHEIC has been among the most challenging assignments of my career.

I want to address at the top of this statement the questions raised in your letter requesting my presence at the hearing. As with most matters ICHEIC related, the reality is a bit more complicated than a yes or no answer to the points you have mentioned, but let me start on a general note in addressing your questions and then go into more detail later herein.

First, I am a strong believer that ICHEIC offers the best available route to ensuring payment of claims to Holocaust era victims and their heirs. There are any number of difficulties and challenges with this process, which we will discuss, but I must characterize it either as the best available option or, in the words of Winston Churchill about democracy as a political system, "the worst form of government, except for all others that have been tried from time to time...."

Second, the insurance companies that are Members of ICHEIC (and which signed the Memorandum of Understanding founding the Commission), and those that are affiliated through ICHEIC's work with the German Foundation and the German Insurance Association have, generally speaking, been cooperative. Now that the last of the settlement agreements with companies have been completed, we are all focused on getting claims processed as quickly, effectively, and fairly as possible. We have learned a great deal through our sometimes difficult negotiations about how to best gain the cooperation necessary from all parties in an effort to move forward.

Third, while there has been some progress in the number of claims processed since last we met, the numbers are nowhere near where they need to be. This said, we have worked diligently over the past year to revise our system of claims administration, which is based primarily in London and with a contractor outside of London. I now have the ability to commit to a significant increase in the numbers of claims processed over the coming year. Currently, our budget anticipates the completion of all claims processing by the close of December 2004, with a general contingency for a carryover should the process continue through 2005. However, due to the fact that we have extended the filing deadline twice since we prepared this budget in an effort to allow claimants additional

time to file claims, (the last extending the deadline through December 2003), we are re-evaluating what a reasonable goal should be for the completion of all claims and appeals processing. We will be meeting with companies and others through September and October to determine what is needed to bring the claims process to a close with all claims having been reviewed and decided by the end of 2005 or shortly thereafter should the target date shift due to the extended deadline.

In terms of straight statistics, as of September 5, 2003 ICHEIC has received approximately 54,000 claims that fall within ICHEIC's jurisdictional purview and are now being processed by the companies. ICHEIC has received approximately 32,000 additional inquiries that fall outside its jurisdictional scope. Finally, some 6,000 claims have recently been received and are still in the initial processing stage. In terms of compensation, ICHEIC has made approximately 2,600 offers for a total value of $35 million. An additional (approximate) 650 offers, totaling approximately $7.5 million, have been made by ICHEIC companies on claims submitted directly to the companies (not through ICHEIC) but using ICHEIC valuation guidelines, resulting in a total offer amount of approximately $42.5 million.

Finally, you have asked about ICHEIC's success in "acquiring lists of policyholders from participating insurance companies." We have been largely successful in this effort, particularly with insurance companies in Germany – where the largest percentage of the overall population tended to be insured. I am concerned that by measuring our success by the total number of policy holder names companies have released – rather than by the number of likely Holocaust victim policyholder names – you are focusing in the wrong area, if you indeed share our objective of maximizing the matches between policyholders and uncompensated Holocaust victim policies. On this latter point, I am confident, with a few countries being the exceptions for which I will provide explanation and request for assistance, that in fact ICHEIC's website does contain the vast majority of possible Jewish policyholder names of those who might have had held policies in European insurance companies during the Holocaust era.

I will address each of these issues in greater detail but first want to provide some context for framing our discussion.

BACKGROUND

ICHEIC was established in 1998 following negotiations among European insurance companies and U.S. insurance regulators, as well as representatives of international Jewish and survivor organizations and the State of Israel. The resulting Memorandum of Understanding ("MOU") – signed on August 25, 1998, by six European insurance companies (Allianz, AXA, Basler Leben, Generali, Zurich Financial Services, and Winterthur Leben) – created ICHEIC and charged it with establishing a just process to collect and facilitate the signatory companies' processing of insurance claims from the Holocaust period.[1] Signatory companies agreed to process claims according to ICHEIC

[1] Basler Leben resigned from ICHEIC shortly after signing the MOU.

guidelines, which were subsequently negotiated and established by consensus among the ICHEIC membership. Individuals negotiating on behalf of the companies as well as those negotiating on behalf of the claimants (insurance regulators and representatives of international Jewish organizations) became ICHEIC Members, Alternates or Observers and all have a voice in the organization. To date, ICHEIC has received approximately $465 million, which includes funding from six MOU insurance companies (including Basler Leben), settlement agreements with the five MOU companies, and the German Foundation and German Insurance Association. These funds are earmarked for (a) the payment of ICHEIC claims, (b) humanitarian purposes, and (c) operating expenses.

ICHEIC was the first organization ever to offer Holocaust survivors and their heirs an avenue other than litigation to pursue a claim against an insurance company at no cost. The Commission was created as a means of addressing the gaps and shortfalls of postwar compensation programs of the 1950s and 1960s and was intended to provide an opportunity for thousands of Holocaust survivors and their heirs to submit claims for the first time. ICHEIC and the MOU companies assumed the responsibility of redressing contractual obligations on 60-odd year-old policies for which the statute of limitations had most certainly expired but for which the overriding moral responsibility remained. In an effort to find as many claimants as possible, ICHEIC undertook a worldwide outreach program to seek out Holocaust survivors and their heirs believed to have had policies or whose heirs might have been insured.

To assist claimants, ICHEIC launched a research initiative to investigate archives and create databases that could improve claimants' chances of having a valid claim established – all done for the claimant at no cost. In addition, ICHEIC established a thorough claims process involving a difficult and complex valuation process. In short, we did everything we could possibly think of to help potential claimants, all without cost to them. As a result of these efforts, ICHEIC has received insurance claims from survivors of the Holocaust and the heirs of Holocaust victims and has been able to distribute most of these claims to the appropriate insurance companies and organizations throughout Europe.

ICHEIC has established a claims and valuation process with relaxed standards of proof to identify, settle, and pay individual claims. These guidelines for valuing claims and relaxed standards of proof for determining the validity of these claims were developed and accepted by all ICHEIC Members: representatives of Jewish and survivor organizations, state regulators, and insurance companies. The ICHEIC Member companies do not independently determine the validity and value of claims. Relaxed standards of proof were developed because Holocaust-era claimants could not possibly have the typical proof demanded by insurance companies before these companies would even consider paying a claim. Our relaxed standards recognize this fact and substantially reduce the amount and quality of the evidence required to support a claim.

ICHEIC is responsible for sending claims to the appropriate processing companies/entities and is committed to ensuring that (1) claims that name a company are sent to the named company and are reviewed there; (2) claims that do not name a

company are checked against all available company databases, for companies which did business in the country where the claimant lived; and (3) offers or denials on ICHEIC claims are determined in accordance with ICHEIC guidelines.

ICHEIC's two offices in Washington, DC and London have a combined staff of 20 whose primary responsibility is to drive the claims process by facilitating the transfer of claims to the companies, tracking their progress, and verifying the resulting decisions against ICHEIC guidelines. These activities are done in close consultation with ICHEIC Members, Alternates and Observers to ensure that their views and concerns are considered at all levels throughout the process.

ICHEIC distributes figures on a bi-monthly basis to U.S. insurance commissioners around the country as well as to international Jewish groups in a systematic outreach effort so as to keep claimants' representatives aware of progress on claims processing. In addition, a quarterly report, which includes statistics, on the Commission's progress is posted on the ICHEIC website. ICHEIC also meets and reports on a quarterly basis to the National Association of Insurance Commissioners Holocaust Issues Task Force, several of whose members are also Members of ICHEIC.

Although initially limited to the MOU signatory companies, ICHEIC has greatly expanded its scope in an effort to coordinate potentially duplicative activities. ICHEIC has done this by establishing partnerships with additional companies and national and local industry, governmental and Jewish organizations that are responsible for resolving Holocaust-era claims in their respective countries. As a result of these efforts Holocaust survivors and their heirs who have claims on non-MOU European insurance companies also have the opportunity to have their claims processed and reviewed in accordance with ICHEIC rules and guidelines.[2]

The MOU and the additional agreements reached and partnerships formed provide the structure of the ICHEIC claims process, ICHEIC's operating funds and the funds from which claimants are paid.

Agreements with ICHEIC Member Companies

Generali

In November 2000, ICHEIC and representatives of the World Jewish Restitution Organization signed an Agreement with Italian insurer Assicurazioni Generali S.p.A ("Generali"), a signatory of the MOU. Generali agreed to provide to ICHEIC $100 million plus interest for the settlement of all claims and humanitarian payments related to Generali's Holocaust-era insurance claims. This amount was in addition to funds Generali already had committed under the MOU. In April 2001, ICHEIC signed an agreement with the Generali Fund in Memory of the Generali Insured in East and Central Europe Who Perished in the Holocaust ("GTF"), to implement the earlier accord with

[2] Both the Sjoa Foundation and the Buysse Commission calculate policies' current values using a multiplier lower than established by the ICHEIC Valuation Guidelines.

Generali. The GTF agreed to process and make payment on all valid Holocaust-era insurance claims against Generali and its subsidiaries that were received through the ICHEIC (except for those claims against Generali's subsidiaries in Germany and the Netherlands, which are processed in accordance with other agreements as described below). The GTF is bound by the Agreement to evaluate all Generali claims using the ICHEIC Standards of Proof and other ICHEIC rules and guidelines, in accordance with Israeli law.

AXA, Winterthur, Zurich

In April 2003, representatives from AXA, Winterthur and Zurich (collectively referred to as "AWZ") along with representatives from ICHEIC, Jewish and survivor organizations, and the State of Israel established the terms of an agreement related to the processing of ICHEIC claims by those three companies. The AWZ Agreement, signed in July 2003, added $17.5 million to the funds available to ICHEIC for claims payments and humanitarian initiatives.

Agreements with Other Organizations

Germany: "Remembrance, Responsibility and Future" Foundation and the German Insurance Association

The United States and the Federal Republic of Germany signed an agreement in July 2000 concerning the creation under German law of the "Remembrance, Responsibility and Future" Foundation ("German Foundation"). In the agreement between the two governments, it was established that insurance claims that came within the scope of the current ICHEIC claims handling procedures and were made against German insurance companies would be processed by the companies and the German Insurance Association ("GDV") on the basis of such procedures and any additional claims handling procedures that were agreed among ICHEIC, the German Foundation and the GDV.

The insurance portion of the German law establishing the Foundation provided for €281.211 million (DM 550 million) to be transferred to the ICHEIC, of which €102.259 million (DM 200 million) is for the payment of valid insurance claims and up to a maximum of $30 million for ICHEIC operating expenses and €178.952 million (DM 350 million) for humanitarian purposes. Any portion of the €102.259 million (DM 200 million) not needed for claims and operating expenses will be available for additional humanitarian spending. In the event that the €102.259 million (DM 200 million) should prove insufficient to pay all valid claims, the Foundation will provide up to a further €25.565 million (DM 100 million).

In October 2002, ICHEIC signed an Agreement with the German Foundation and the GDV ("German Foundation Agreement") on the processing and payment of Holocaust-era insurance claims against German companies. The Foundation transferred

to the ICHEIC in full the €281.211 million (DM 550 million) provided under the German law on October 17, 2002.

The Netherlands: Sjoa Foundation

In May 2000, the Dutch *Stichting Individuele Verzekeringsaanspraken Sjoa* ("Sjoa Foundation") signed the ICHEIC MOU on behalf of insurance companies in the Netherlands and agreed to adopt ICHEIC standards in evaluating claims against Dutch companies. In addition, the Sjoa Foundation agreed to provide to ICHEIC 750 names of individuals insured during the Holocaust. These names have since been published on the ICHEIC website. The Sjoa Foundation applies its own valuation standards, which are broadly consistent with ICHEIC's guidelines, and has established its own appeals process.

Belgium: The Buysse Commission

In July 2003 ICHEIC reached agreement with the Indemnification Commission for the Belgian Jewish Community's Assets, which were Plundered, Surrendered or Abandoned During the Second World War ("Buysse Commission") on the handling of ICHEIC claims. This agreement enables all ICHEIC claims that name a Belgian company, including claims on MOU companies and any unnamed claims stating Belgium as the country of issue, to be examined and, if valid, paid by the Buysse Commission.

Austria: General Settlement Fund

The General Settlement Fund for Victims of National Socialism ("GSF") was established in Austria in early 2001. The Austrian government and Austrian companies together provided $210 million for various categories of restitution, $25 million of which was earmarked specifically for payments on insurance policies. Under its claims-based process, the GSF will consider payments for losses or damages for a variety of assets, including insurance policies. Claimants must show proof or convincing evidence of ownership of property, or entitlement to a property, that has not already been finally decided by the Austrian courts. Where claimants receive a negative decision by the Claims Committee, they can file an appeal for a new decision or review in the GSF's separate but parallel equity-based process.

ICHEIC has been negotiating with the GSF for an arrangement which would allow ICHEIC claims (on Austrian companies or where the claimant believes the policy claimed was issued in Austria) to be settled along similar lines as under the ICHEIC process. Although the filing period for the GSF ended in May 2003, the arrangement should provide for the transfer of ICHEIC claims after this date.

France: Commission for the Compensation of Victims of Spoliation Resulting from Anti-Semitic Legislation in Force during the Occupation ("CIVS")

ICHEIC is working to finalize an arrangement with the Commission for the Compensation of Victims of Spoliation Resulting from Anti-Semitic Legislation in Force during the Occupation ("CIVS"). The contemplated arrangement would permit individuals to submit claims to designated Jewish organizations in France which, with assistance from ICHEIC, would work to match claims with French insurance companies' policyholder lists or payments into blocked accounts. If a match is found, and the claim is valid, the company in question will pay on the claim.

Audits

The ICHEIC audit process is carried out in two stages by internationally recognized accounting firms. Stage 1 of the audits examines the companies' systems and procedures that are set up to comply with ICHEIC Audit Standards. Stage 2 examines each company's handling of claims.

First stage audits must be complete before companies may issue final decisions on claims which have named the company or claims which did not originally name the company but for which the company found a match. A claimant must receive a final decision before he/she can appeal such decision.

The ICHEIC companies that have been declared audit compliant in Stage 1 are: Allianz-RAS, AGF Belgium (owned by AGF, Allianz's French subsidiary), AXA, Generali for east European branches, and Zurich.

Appeals

The ICHEIC claims process provides ICHEIC claimants the opportunity to appeal a company's decision in certain instances. Claimants will have a right of appeal to the Commission's Appeals Process if they 1) named Allianz, AXA, Zurich or Winterthur, or 2) any of their subsidiaries, or 3) were unable to name one of those companies but ICHEIC found a matching record which indicates the company may have issued a policy, or 4) named another German insurance company or if the German insurance company found a matching record which indicates it may have issued a policy.

There are two independent and impartial appeals bodies that rule appeals within the ICHEIC's Appeals Process:

- The ICHEIC Appeals Tribunal, which will consider appeals on decisions from all member companies, with the exception of Generali, and German MOU company decisions dated after October 16, 2002 (see Appeals Panel below). ICHEIC established the ICHEIC Appeals Tribunal to provide claimants an avenue through which they can appeal decisions on named company claims or matched unnamed company claims, at no cost to them. The Tribunal determines appeals in accordance with established Rules of Procedure and is comprised of a President, a Vice President and independent Arbitrators.

- The Appeals Panel, established under ICHEIC's Agreement with the German Foundation and German Insurance Association, which will consider appeals on decisions from German insurance companies, including member companies, dated on or after October 16, 2002. The Appeals Panel consists of three members, one of whom is appointed as Chairman. The Appeals Panel determines appeals presented to it in accordance with the Appeals Guidelines, which are Annex E to the German Foundation Agreement.

Either the ICHEIC Appeals Tribunal or the Appeals Panel independently and impartially determines all ICHEIC appeals. This is intended as a guarantee that decisions made by the Tribunal or Panel are impartial and in accordance with the rules and guidelines set out for each.

Distinct from those appeals decided through the ICHEIC Appeals Tribunal or Appeals Panel, under the terms of the Implementing Organization Agreement with the Generali Trust Fund, GTF claimants have the right to a second review on their decision. This process is separate from the Appeals Process established by ICHEIC. Additionally, the Sjoa Foundation and Buysse Commissions have separate review processes.

ICHEIC's MISSION AND BENEFITS OF THE ICHEIC CLAIMS PROCESS

As I have reiterated to my staff and members of ICHEIC since the Commission's inception, our mission is and will continue to be to resolve unpaid Holocaust-era insurance claims by establishing a claims and valuation process with relaxed standards of proof to identify, settle, and pay individual claims. In light of our mission and in response to your original question concerning the benefits of using the ICHEIC process to administer claims, I should point out in more detail the benefits of the ICHEIC process in comparison to alternate claims adjudication systems/processes.

First, the ICHEIC claims process is provided at no cost to ICHEIC claimants and has an independent appeals process in place through which claimants can appeal decisions made by ICHEIC Member companies, also at no cost to the claimants. (As noted above, there are certain claims that may not go through the ICHEIC appeals systems.)

Second, ICHEIC's relaxed standards of proof help make the Commission the most effective route for compensation on insurance claims for Holocaust victims and their heirs. Our relaxed standards recognize that Holocaust era claimants could not possibly have the typical proof demanded by insurance companies (or that might be demanded in a courtroom to prove contractual obligations) and substantially reduce the amount and quality of the evidence required to support a claim.

A third benefit of ICHEIC as a claims administrator is that the Commission allows claimants to submit claims that do not name a particular insurance company to the ICHEIC for processing. ICHEIC has developed a system which checks these claims

against the archives of all existing companies that did business in the country (and have since not been liquidated or nationalized). This system provides claimants with an opportunity to have their claims checked against a wide range of archives, thus increasing the potential for them to receive payment. These claimants would not otherwise have the ability to access information from such a broad array of sources. To date, approximately 600 claimants who submitted their claims through ICHEIC and who did not name a company on their claim form have been paid approximately $8 million through the ICHEIC claims process.

I want to highlight, in particular, a fourth benefit of ICHEIC as a claims administrator. The Commission initiated a comprehensive archival research project to investigate and record information from Holocaust-era archives around the world in 1999 and has used this information to provide ICHEIC claimants with additional evidence to support their claims. The Commission has established a process by which archival information is matched against the ICHEIC claimant database in order to pair ICHEIC claims with additional supportive documentation for submission to the ICHEIC Member companies and organizations. Through this technically sophisticated process, ICHEIC claims are also matched against company policyholder lists, a benefit which will be described in more detail later in this statement.

PROGRESS OVER THE PAST 22 MONTHS

Last time we met, ICHEIC faced a number of challenges in finalizing agreements that concerned claims processing and humanitarian monies. If you recall, in November 2001, the Dutch Sjoa Foundation had signed the ICHEIC MOU, and we had reached a settlement agreement only with Generali among the original MOU companies, but we did not yet have the Implementing Organization Agreement with the GTF in place. We were far from completing negotiations with the German Insurance Association ("GDV") and the German Foundation, "Remembrance, Responsibility and Future" or with ICHEIC Member companies AXA, Winterthur and Zurich. In addition, ICHEIC had not yet finalized arrangements with the Buysse Commission concerning the handling of Belgian claims.

To be candid, the time and energy needed to negotiate various settlement agreements took away from the attention that needed to be focused on ICHEIC's claims administration role. The ICHEIC Valuation Guidelines were in a continual drafting stage, making decisions difficult for companies and claimants alike as the Guidelines were fine-tuned following their initial development and application. Many ICHEIC claimants and regulators were dissatisfied with companies' application of these Guidelines. There also was a great deal of understandable frustration all around at the pace and quality of consideration of these claims, with responsibility for these failings shared among all ICHEIC parties.

Over the past 22 months, ICHEIC has accomplished much. Our accomplishments include:

Increase in Offers: Last time we met, approximately 800 offers had been made on claims submitted to ICHEIC and approximately 150 offers had been made by companies directly using ICHEIC Valuation Guidelines, totaling offers worth approximately $11 million. In the past 22 months, there have been approximately 1800 additional offers on claims submitted directly to the Commission ($30 million) and 500 additional offers on claims sent directly to companies ($5.5 million). In brief, since the last hearing, an additional $35.5 million has been distributed to Holocaust survivors and their heirs using ICHEIC Guidelines.

Implementing Agreement with the GTF: The Commission finalized an implementing agreement with the Generali Trust Fund (GTF) in April 2001, which represented a shift in the processing of claims made against Generali from the company in Trieste, Italy, to the GTF in Jerusalem.

Agreement with the German Foundation/GDV: After signing an Agreement with the GDV and German Foundation in October 2002, ICHEIC has started ensuring that the GDV makes payments to claimants (which ICHEIC then reimburses from the German Foundation claims funds). The German Foundation Agreement commits all German GDV member companies in operation from 1920-1945 to (1) process, (2) investigate and (3) award or deny (in compliance with ICHEIC rules and guidelines) Holocaust-era insurance claims as defined by ICHEIC and in the Agreement in accordance with agreed standards and guidelines.[3] To date, 129 payments totaling $1.1 million have been made to ICHEIC claimants by the GDV.

Progress in Implementation of the Agreement with the German Foundation and the German Insurance Association: Since the signing of the trilateral Agreement on October 16, 2002, the German Insurance Association ("GDV") has worked steadily to process the approximately 10,000 claims against German insurance companies that have been filed to date through ICHEIC. In accordance with the Agreement, all claims are being processed regardless of whether the claimant has provided the name of an insurance company or specific details on a policy.

Of the nearly 10,000 claims that have been transferred by ICHEIC to the GDV, 6,995 do not name a specific company. These "unnamed" claims are currently under investigation by all relevant German insurance companies (approximately 70) that had existing portfolios prior to 1945. It is expected that the investigation on 2,002 of these "unnamed" claims will be complete by the end of October 2003, and that the work on the remaining claims will be complete by the end of the year. All "unnamed" claims that are identified by a company to possibly have issued a relevant policy will be treated as a "named" claim, the procedures for which are described below.

ICHEIC has transferred 3,511 claims to the GDV that name a specific insurance company. In accordance with the agreed procedures, these claims are first checked by

[3] The German Foundation Agreement defines a Holocaust Era Insurance Claim as a claim relating to a life insurance policy in force between January 1, 1920 and May 8, 1945.

the German restitution archives to determine whether the particular policy might already have been compensated under the postwar compensation programs established by the Allies after 1945 and continued later by the Federal Republic of Germany. Consequently, all so-called "named" claims are first sent to a central archive (*Bundeszentralkartei,* or "BZK") in order to determine which of the 11 German state restitution archives might have handled the case. All claims must be researched manually in the BZK's 3.5 million hard copy files.

The BZK has completed research on 3,104 claims to date. The BZK found no match on 1,218 of these claims, which then were sent to the companies for a decision on whether a payment can be made. The remaining claims have been sent to the respective state restitution archives for research. While the research was already finalized in some cases, the majority of these claims still await responses from the local state restitution archives.

ICHEIC is in frequent and regular contact with the GDV and the German Foundation concerning progress made on implementation of the trilateral Agreement. As partners in this endeavor, we are committed to working together to jointly seek the expeditious resolution of claims and address unanticipated issues in an effective and timely manner, so that valid claims are paid and claimants can receive some measure of justice. The cooperation among our three organizations since the signing of the Agreement has been notable in this regard, and we are working steadfastly to achieve full and complete implementation.

That said, with regard to the speed at which the claims are being processed, all parties agree that we must actively take steps to improve the processing rate and, in particular, work to decrease the amount of time it takes for the various restitution archives to complete their work. The German Foundation and GDV are working with BZK officials to discuss possibilities to speed up the process. Furthermore, the German government demonstrated its support for this objective when the Federal Minister of Finance recently wrote to the prime ministers of all states to ask for their support and to speed up the process.

Once the research for the remaining 2,815 "named" claims is complete in the relevant restitution archives, we expect that the compensation process will further accelerate once those claims for which the BZK has not found a match will be forwarded immediately to the company for a final determination of the eligibility of the claim.

Agreement with AXA, Winterthur and Zurich: ICHEIC reached a settlement agreement with AXA, Winterthur, and Zurich (AWZ Agreement), finalized in July 2003 and triggering the release of $25 million to the Commission and lists of policyholders to be published on the ICHEIC website.

Agreement with the Buysse Commission: Negotiations with regard to claims against Belgian insurance companies were brought to a close in July 2003 when an agreement was signed between ICHEIC and the Buysse Commission. The agreement covers the processing of ICHEIC claims in which the claimant named a Belgium company or named

Belgium as the country in which the policy was believed to have been issued. These claims are in the process of being transferred to the Buysse Commission for determination.

Progress in Discussions with the CIVS (Drai Commission): ICHEIC is working to finalize an arrangement with the French national compensation commission (Commission for the Compensation of Victims of Spoliation Resulting from Anti-Semitic Legislation in Force during the Occupation, or "CIVS") and two French Jewish organizations. Under this arrangement, claimants and potential claimants could submit inquiries via the ICHEIC website that would then be checked against the lists held by the CIVS that contain information on policies issued by French companies that were in effect prior to and during World War II. It also would provide for ICHEIC's claims database to be checked against the list of blocked bank accounts held by the CIVS. A recent exchange of letters among ICHEIC, the French Prime Minister and a designated representative has established the basis for the arrangement, the details of which are currently under discussion.

Pending Agreement with the Austrian General Settlement Fund: Following a September 2, 2003 meeting in Vienna with representatives of the Austrian General Settlement Fund and the Austrian Government, ICHEIC is very close to completing an operational agreement with the GSF similar to that concluded in July of this year with the Buysse Commission in Belgium. The pending agreement would allow ICHEIC to transfer to the GSF claims that name an Austrian insurance company or indicate Austria as where the policy being claimed was issued. We anticipate concluding this agreement in the near future.

Final ICHEIC Valuation Guidelines: The long-negotiated ICHEIC Valuation Guidelines were finalized in November 2002, circulated to Members of the Commission and posted on the ICHEIC website. The Valuation Guidelines applied to those claims covered under the GDV/German Foundation Agreement were finalized as Annex D of the Agreement in October 2002.

Review of Company Offers and Denials: Spurred by the distribution of the final ICHEIC Valuation Guidelines and Annex D of the German Agreement, and suggested by the report of an *ad hoc* Monitoring Group convened in 2002, ICHEIC organized a review of more than 2,200 claims in the London ICHEIC office in January 2003 which covered a significant bulk of the universe of offers and well-documented denials to date and included regulator representation. In addition to flagging those decisions that were affected by the revised ICHEIC Guidelines, as well as those impacted by ICHEIC's new Agreement with the German Foundation and the GDV, the review also provided new and updated training for ICHEIC staff members to improve the review of decisions and to pinpoint areas where claims processing improvements were warranted. ICHEIC analyzed the results of the review, identified a range of issues to bring to the attention of the majority of ICHEIC Member Companies, and implemented changes in our internal operations based on what we had learned.

Verification System: The claims review highlighted a number of challenges in relation to claims processing, challenges which we are actively addressing. One of the most significant outcomes of the review was that we established an internal system by which decisions are verified. The ICHEIC claims team in London has been tasked with automatically reviewing all decision letters sent out either by the five ICHEIC MOU companies (including the Generali Trust Fund) or by any of the companies covered by our agreement with the German Foundation and GDV. When questions on decisions are identified, they will be raised directly by ICHEIC staff with the relevant companies or with the GDV. We expect full cooperation from the companies and the GDV and are certain that both entities will actively address these questions/concerns where needed in the future. We have established follow-up procedures to ensure this result.

Improved Communications: ICHEIC has worked towards improved communications with those individuals involved in and affected by the ICHEIC claims process, including U.S. regulators, representatives of Jewish organizations, insurance companies, the State of Israel, U.S. government officials and Members of Congress, press and, most importantly, ICHEIC claimants. With this goal in mind, we have developed the ICHEIC Quarterly Report to facilitate regularly scheduled communication with our constituents and have published an English version of the ICHEIC Claims Processing Guide, which is available on our website. The Guide is intended to provide claims resolution professionals, claimants, and all ICHEIC constituent members a step-by-step guide through the ICHEIC claims process. We also implemented a significant outreach effort to publicize internationally the many new policyholder names added to the ICHEIC website over the last few months and extension of the claims filing deadline to December 31, 2003. This effort included purchasing advertising in the Jewish press throughout the U.S. and the world, and our recent webcast, which is also available on the ICHEIC website.

Improved Financial Reporting: With the hiring of a Chief Financial Officer, ICHEIC has (1) developed a Lifetime Budget, as was originally tasked to ICHEIC management by the Commission Members in September 2000; (2) brought full accounting and reporting responsibility to the Washington DC office, reducing cost and providing more timely information; (3) developed budget to actual analyses on a monthly basis; with quarterly budget to actual reporting to the Financial Accounting Advisory Committee (FAAC); (4) developed regular, consistent reporting to the FAAC regarding actual financial results, at least annual revisions of the lifetime budget and review of the annual audited financial statements; (5) constituted an Investment Committee to provide professional advice with regard to investment decisions; (6) developed competitive investment environment to monitor returns of ICHEIC's investments within the narrow band of the ICHEIC Investment Guidelines; and (7) improved the reporting, transparency and information flow of financial information between ICHEIC and the Generali Trust Fund.

Progress on Statistical Reporting: Over the past six months, ICHEIC has worked cooperatively with ICHEIC Member Companies to reconcile reporting statistics as they relate to offers and denials made as well as offers accepted. ICHEIC has recently modified its statistical reporting format to more effectively and accurately portray these

figures. We hope to have the improved version accessible on the ICHEIC website shortly.

Policyholder Lists

In 1999, ICHEIC initiated the most extensive project ever conducted to investigate and record information on insurance policies from Holocaust-era archives and other sources from around the world. In addition, we also have been largely successful in acquiring lists of policyholders from participating insurance companies, which have been matched against Yad Vashem's database of Holocaust victims using the broadest possible criteria, as well as from governmental organizations in a number of countries. A recent example of these efforts was in April of this year, when ICHEIC published a list of more than 360,000 German Jewish policyholders. This resulted from an unprecedented cooperative effort involving ICHEIC, the German Insurance Association and the German Foundation.

These combined efforts have yielded substantial information regarding hundreds of thousands of insurance policies in effect prior to and during World War II. With publication on ICHEIC's website (http://www.icheic.org), this information is available to ICHEIC claimants, potentially providing them with additional evidence to support their claims. The lists on the website are searchable and help potential claimants determine if they should file, particularly if they cannot name a specific company or are just inquiring as to the possibility of a policy's existence.

A country-by-country breakdown of the policyholder names published on ICHEIC's website is as follows[4]:

Country	**Names**
Austria	21,848
Belgium	452
France	3,304
Germany	395,578
Hungary	9,155
Italy	6,095
Netherlands	1,080
Spain	8
Switzerland	226
Bulgaria	9,033
Czechoslovakia	36,907
Greece	1,013
Lithuania	263
Poland	11,225

[4] Note that names published from each country may have come from a variety of sources. A listing of the sources of the published names is attached in an Appendix.

Romania	79
Yugoslavia	9,304
Other/Unspecified[5]	13,439
Total	519,009[6]

A key element of the October 2002 agreement among ICHEIC, the GDV and the German Foundation concerned publication of a list of German Jewish policyholder. First, the parties worked to compile a list of German Jewish residents from numerous federal and state archives, which was then matched against German insurance companies' electronic policy lists. A similar exercise was conducted with Italian Jewish residents and policies issued in Italy by a major Italian insurer, RAS. In the course of this effort, ICHEIC has made possible the compilation of the most comprehensive lists of Jewish communities in Germany and Italy prior to the Holocaust. While admittedly not our primary goal, I believe this welcome side effect stands as a lasting tribute to the memory of those who suffered under Nazi persecution.

It is important to sound a cautionary note on policyholder names: Although ICHEIC has published this extensive list of Holocaust-era insurance policies, not all of them remain unpaid. Let me state that another way: just because a name appears on the ICHEIC website, it does not necessarily follow that the heir or beneficiary is entitled to payment. Many of these policies have been compensated previously through restitution programs or by the companies directly. So why have we chosen to include such policies? First, in the interest of time, ICHEIC has elected to publish names and allow the potential beneficiaries to come forth before investigating the details of the policy. Had we insisted on researching the individual fate of all these policies we would not have been able to publish any lists in a timely manner. Rather than delay the process further and risk the loss of what living memory remains, ICHEIC chose to publish. I realize that this may lead to greater expectations than we can hope to meet and would therefore ask all of you to assist us in managing our claimants (your constituents) expectations.

Lest I sound too pessimistic, however, let me also stress that these combined lists of 519,009 policyholder names, made available to ICHEIC as a result of research conducted by ICHEIC Member companies, and which have been augmented further by extensive archival research projects in independent archives in several European countries, present the most comprehensive list of Holocaust-era insurance policyholders ever assembled. Given the ravages of war, the passage of more than sixty years as well as the destruction of documents in the ordinary course of business, the compilation of this list in and of itself is a remarkable achievement. I think it worth spending some time on how ICHEIC approached this task and why I consider it significant.

ICHEIC Archival Research Project

[5] Includes 168 names from Iraq, 29 names from Libya, approximately 5,000 names from the German/Polish border areas as well as some 6,600 policyholder names from unspecified Eastern European countries.

[6] These figures represent the aggregate total of policyholder names provided by companies and located via ICHEIC's independent research. These numbers are as of September 15, 2003.

ICHEIC launched its archival research project in 1999 to investigate and record information from various archives containing Holocaust-era records, in Europe, Israel and the United States. Through its researchers, the Commission gained access to Holocaust-era record groups previously closed to examination – an achievement that was the result of perseverance and unprecedented international cooperation, all with the very worthy objective of assisting Holocaust survivors, their families and heirs in getting compensation for valid unpaid insurance policies. From the outset, this project was intended to complement the ICHEIC claims process; both the research results and the subsequent mechanisms ICHEIC developed to maximize use of the information can be considered a major success.

ICHEIC has sent researchers to investigate major archival holdings in several countries that contain information on Holocaust-era insurance records. This has resulted in a total of 97,855 policyholder names, which have been published on our website, a list of which follows:

Archival Source	**Policyholder Names**
Austria State Archives - Vienna (Research conducted by Helen Junz)	14,921
Asset Declarations & Tax Forms (Research conducted by Facts & Files)	77,517
Confiscated Italian Policies (Research conducted by Facts & Files)	236
Reich Oversight Offices (Research conducted by Risk International)	5,181
Total	97,855

I should also add that ICHEIC's research efforts are ongoing. We have outlined a plan to investigate archives in countries where we previously have been unable to gain access to historical records, most significantly Hungary and Romania. To accomplish this, some remaining roadblocks need to be removed, particularly to allow ICHEIC access to government archives, and I would like to use this opportunity to ask you to assist ICHEIC in this regard. After consulting with the United States Holocaust Memorial Museum, I have decided to go back to government officials in Hungary and Romania to request their assistance in obtaining additional information that can be matched against our claims database, all in an effort to provide claimants with additional supporting evidence. I would welcome any impetus that Members of Congress could add to these efforts to help us gain access to key archives, and my staff and I stand ready to work with you on this important issue.

Significance of ICHEIC's Archival Research

I attach such great significance to this type of research for a number of reasons. While it is not possible to determine exactly what percentage of the prewar European insurance markets are covered by ICHEIC's published lists, I firmly believe it is the only means by which we can say with any confidence that we have taken all reasonable steps to finding information that might provide further evidence to strengthen an existing ICHEIC claim or indeed compel a claimant to submit a claim, even if he or she does not possess

independent evidence that a policy existed. Based on the findings of ICHEIC's first taskforce on historical insurance matters, information compiled on a preliminary basis when we commenced our important work, I think it fair to say that ICHEIC is well on the way to having compiled the majority of currently available insurance-related data pertaining to Nazi persecutees.

Permit me to offer some background on this task force and its efforts. In late 1999, ICHEIC established a task force to review the European insurance market on a country-by-country basis, as well as the propensity of the respective Jewish populations in Europe to purchase life insurance. The task force was comprised of representatives of state insurance regulators, European insurers, ICHEIC staff, actuaries, and two external consultants. It utilized a number of statistical and historical sources, including the more authoritative publications, archives and libraries with information on Holocaust-era events. In addition, participating ICHEIC Jewish organizations and insurance companies presented their views, which were taken into account in the final Task Force report.

The task force's review of general archival resources and historical market information served as the foundation for ICHEIC's subsequent archival research project. It also clearly illustrated the vast differences between European insurance markets, such as the fact that Central and Western European insurance markets were more highly developed than most Eastern European markets.

The task force found the most comprehensive and immediately accessible historical records in Austria, where research conducted in the Austrian State Archives on ICHEIC's behalf yielded the original 1938 Austrian census of Jewish-owned assets conducted by the Nazi authorities. Moreover, these records also provided the most comprehensive subset of information about the Jewish population in this part of Europe and its propensity to hold life insurance in the prewar period. This records group contains documents filed by some 48,000 Austrian Jews who reported assets of RM 5,000 or more to the Nazi authorities. 8,810 individuals reported a total of 14,921 life insurance policies, out of a total insurance market in Austria of 1,472,000 policies (which translates to 0.22 insurance policies per capita market wide). Austria, with a total population of 6.8 million, was home to 217,250 Jews, with the vast majority resident in Vienna. According to the information contained in this record group, 4% of the total Jewish population held life insurance and 1% of all insurance policies in effect in Austria in 1938 were owned by Austrian Jews.

These records provided a remarkable snapshot of Jewish-owned assets as a whole, and particularly insurance assets, and ICHEIC research staff compiled the first components of our research database from this records group.[7] Unfortunately, not all archival records are this complete, nor do they permit an analysis for an entire nation. In addition, the task force's research made clear that not all European markets were as well developed as the Austrian or German markets.

[7] It should be noted that Austrian company records as well as smaller local archival holdings furnished a further 5000 names which have been posted on ICHEIC's website. However, some of these may well be duplicates.

Czechoslovakia, for example, with a population of 15 million, more than twice the size of Austria and home to 396,00 Czech Jews, had an insurance market only 32% the size of Austria's (0.07 policies per capita market wide as compared to 0.22). Assuming for the sake of argument that Czech Jews had the same propensity to insure as Austrian Jews, we would expect to see 1% of the total universe of life insurance policies written in Czechoslovakia to be Jewish-owned, i.e. 11,120 policies. Assuming 4% of the Czech Jewish population owned life insurance policies, we would expect 15,840 individual policyholders with 23,760 life insurance policies.

ICHEIC's archival research has discovered 12,390 policyholder names (8,198 in Slovak and 4,192 in Czech archives) and 17,531 life insurance policies (10,147 in Slovak and 7,384 in Czech archives). Given the general paucity of archival resources available, this would seem to be a very constructive starting point, particularly when combined with information on Jewish-owned assets made available to ICHEIC by the Czech government.

Unfortunately, archival sources in Poland have not been as rich in policyholder information. Poland was home to 3.3 million Polish Jews. However, historical and economic circumstances in Poland were rather different and cannot really be compared to Austria or the Czech lands. According to historical insurance market sources, the total Polish life insurance market comprised 261,000 life insurance policies. In other words, less than one out of every 100 persons was insured. This small number may seem surprising, but one must remember the historical and economic conditions of inter-war Poland. The expectation of a vast number of Jewish-owned policies, based on the heavy concentration of the Jewish population in urban areas, may well be misplaced. The historical record shows a relatively underdeveloped insurance market combined with an economic situation that, as Helen Junz phrased it, made "living at the edge of subsistence the way of life for the majority of Poles, irrespective of where they lived or their ethnic background."

As a result, ICHEIC's archival research has discovered 1,272 policyholder names and 1,452 life insurance policies which, given the general unavailability of historical records in Poland from the relevant period, would appear to be a good starting point.

Obviously archival sources vary greatly across Europe. In stark contrast to Austria, the task force was not able to locate sufficient historical insurance market information for Greece or Romania, for example, nor were our archival experts able to locate relevant documents, in part because of lack of access to Romanian archival records.

Having said that, however, I believe that ICHEIC has collected substantial information on insurance in those regions where the Nazis were most aggressive in persecuting the Jewish populations by targeting their financial assets. This has enabled us to make public the most important and comprehensive list of Holocaust-related insurance holdings ever possible and also utilize this information to assist claimants in ways previously not possible.

ICHEIC Matching Process:

In addition to acquiring policyholder information from participating insurance companies and various governmental authorities, conducting research into Holocaust-era archives and subsequently publishing the results on our website, ICHEIC also has established a process by which the information obtained through our research efforts is matched against the ICHEIC claimant database. This process links ICHEIC claims with additional supporting documentation before they are submitted to the ICHEIC Member companies and/or organizations with which we have cooperative agreements. In a similar process, ICHEIC claims are also matched against company policyholder databases. This matching system creates further opportunities for claimants to have their claims investigated. It may result in the identification of a specific policy if the claimant knows only the name of the issuing insurance company, or in the location of policies about which the claimant previously had been unaware.

This is an ongoing process. ICHEIC continues to match the information in its research database with the database of claims received, and intends to do so until all claims have been received and our archival research project has been completed. To date, ICHEIC has identified 2,900 "exact" matches, which reflect the exact spelling of family name, given name and date of birth. ICHEIC sends these "exact" matches for further review to MOU and associated companies, including companies affiliated with the GDV, and the Sjoa Foundation. Where a claimant has not been able to name a company, but the company name is in the research database, the evidence is sent to the named companies.

ICHEIC has engaged experts to help with matching names where the names are not exact but there exists a high probability that they are for the same person. Many East European and Hebrew names change across records as details are transcribed, translated or transliterated from Hebrew or Cyrillic alphabets to the Latin. Similarly, dates of birth may differ between the Hebrew, Gregorian and Julian calendars or be remembered inaccurately by heirs sixty years after the event. The matching process devised by ICHEIC allows for near matches to be compared, using a "Soundex"[8] system and expanded date comparisons (comparing dates that are close or similar), taking into account supporting details such as place of residence or birth and occupation. The work in progress is to use all supporting information to validate these matches and send them to companies. To date, ICHEIC has found approximately 3,100 such matches using the Soundex system and expanded date comparisons. Additionally, ICHEIC has identified approximately 4,500 possible matches that must be reviewed in conjunction with other information provided by the claimant. Those matches where ICHEIC is able to

---

[8] Soundex is a system that uses sound-alike criteria to find names that sound similar, but are spelled differently - for example, the very common spelling difference of Kohn and Cohn, or the less common name of Szaje and Schaje.

determine a conclusive match will be sent to the companies in the same manner as other Soundex matches.

We currently are working with the MOU signatory companies and the GDV to determine appropriate procedures for ensuring that these matches are fully considered as the companies reach their decisions. ICHEIC is also working with the GDV to develop a protocol for ensuring that names matched from the website are checked for the broader information available to the German companies.

It is important to note that the matches made to date include many instances where the claimant could not name a specific company, or where ICHEIC has found a match for a company other than that which was identified by the claimant. These are policies that would largely remain unknown were it not for the ICHEIC matching process.

It has been suggested that we could capture a much larger set of matches by simply comparing our claims database against insurance companies' electronic records on the basis of names only, without using any additional qualifying criteria. In this context, I think it important to define our terminology more closely. While it is true that this type of simple comparison would indeed yield many more so-called "matches," such information would indicate nothing more than the similarity of a name or names. Although an indication of a possible match, it provides no indication of the probability of an identity match. Therefore, ICHEIC has spent considerable time and resources establishing a process that permits us to compare vast amounts of data in a more thorough and ultimately more constructive manner. Instead of reviewing thousands of "false positives," our methods permit the matching of family name, given name, and date of birth. The resulting matches are then reviewed. Although on the surface it might appear that we are reviewing fewer matches than a broad process would call for, I firmly believe we are in fact reviewing more exact matches, i.e. information that has a far higher probability of yielding a result for our claimants. This not only represents a better use of resources, it is also an example of ICHEIC's results-oriented philosophy, which I believe to be a critical underpinning of the entire process. As we all know only too well, and in the words of the late Neil Levin, former New York Superintendent of Insurance, who helped launch us on this important road, time is not our friend.

I have also heard suggestion that ICHEIC ought to search for additional matches, that is to say that we ought to dedicate resources to search for heirs to published names. I would respectfully submit that this inverts the ICHEIC process, which was always intended to be and remains a claimant driven process. Our matching process is based, as I have explained earlier, on a comparison of the research database to the claims database, as well as a comparison of the claims database to the companies' policy databases. In other words, in order for a match to be made, a claim must have been submitted to ICHEIC to start the process. Therefore we cannot by definition match policies without first receiving a claim or an inquiry, and as such do no outreach to find claimants after the fact. Instead, we have focused our energies on outreach to find claimants. By encouraging the survivor community and the heirs of Holocaust victims and survivors to review the lists that

ICHEIC has compiled and expanded upon over the years, we believe we have placed the correct emphasis on the process.

I am convinced that our results reflect this. The ICHEIC matching process has served as a valuable and reliable tool both for assisting claimants who had detailed information and lacked documentation to support their claim, and also in identifying companies where claimants had no specific previous knowledge of the policy details. Moreover, ICHEIC's extensive research efforts in conjunction with MOU signatory and non-MOU signatory companies alike has helped to define the pre-war and wartime insurance market more clearly, offering as it does a more comprehensive picture of takeover and merger activity than has been available in the past. As a result, claimants are now assured a far better chance of having their claims reviewed by the appropriate company.

Progress on Appeals: ICHEIC has seen significant progress made through its appeals process. As of August 20, 2003, a total of $197,703 in awards has been made to claimants (this is additional money awarded as a consequence of appeal). Of the 142 appeals received by this date, a total of 56 appeals have been closed: 18 found in favor of the claimant, 31 in favor of the company and in 7 cases, the claim was settled before the Arbitrator made a decision.

Strides with ICHEIC Humanitarian Funds: ICHEIC's progress on the humanitarian front includes (1) the establishment of a humanitarian claims process for those claims submitted to ICHEIC which cannot be resolved by any particular insurance company and (2) the distribution of humanitarian monies to social welfare programs which benefit Holocaust victims. I will take both of these accomplishments in turn.

(1) Humanitarian Claims Process

In accordance with section 8A of the Memorandum of Understanding which established ICHEIC, the Commission has established a humanitarian claims process by which victims of the Holocaust and their heirs will have the opportunity to receive humanitarian payments on insurance policies from the Holocaust Era that cannot be resolved by any particular insurance company.

In the package of information ICHEIC provides to claimants, it is noted, "If investigations fail to produce any further evidence of an insurance policy with a particular company, the claimant may, subject to the information provided, be eligible for a payment from a specific fund established by the Commission."

Currently, approximately 45,000 claims have been identified for processing in accordance with the MOU's section 8A. These represent claims falling within ICHEIC's jurisdictional purview in which claimants could not identify a specific insurance company and for which the matching process failed to produce a valid match with a policy.

In early 2002, ICHEIC issued a Request for Proposal for the processing of these claims. ICHEIC received four bids and ultimately awarded the contract to the Claims

Conference. The Claims Conference, ICHEIC and an independent supervisor, former National Security Advisor Samuel R. Berger, are currently working to develop a system by which these claims will be evaluated. We expect a process to be finalized and criteria decided upon over the coming months. The actual processing of these claims is expected to be substantially complete within the next nine months.

(2) Humanitarian Programs

In the last 22 months, ICHEIC has canvassed the humanitarian community to hear as many voices as possible with regard to the greater Jewish communities' and U.S. insurance regulators' views about how the humanitarian funds should be spent. As a result of this consultation, ICHEIC made a 10-year commitment to fund $132 million in social welfare benefits, including home care for needy Jewish victims of Nazi persecution worldwide. The first year's commitment of $15 million has already been distributed through the Claims Conference. One hundred percent of these funds were designated from the German Foundation Humanitarian Funds.

We are exploring a small number of other worthy projects that have been presented to us, one being a volunteer service corps. The concept has been refined to focus on college age students, serving as visitors to their local Holocaust victim population. We are seeking further input as to how this program might best be implemented. To date, we have received encouragement and support from a wide array of communities with whom we have explored this concept. It is a marriage of service to the Holocaust victim population and educational opportunities for the participants about the Holocaust and its destructive impact. It should also serve to strengthen Jewish identity and leadership in the college age population by providing the chance to serve supported by training and educational opportunities. Our hope is to present, at the very least, a proposal for a pilot study of this concept and perhaps other humanitarian program proposals to the full ICHEIC board at our annual meeting in October of this year.

All organizations that have a mandate to allocate humanitarian funds received from various restitution programs struggle with the proper balance of funding welfare programs for needy Nazi victims versus programs which goals are Holocaust remembrance, education or strengthening Jewish identity through exposure to the rich history and tradition of the Jewish culture, particularly that of the European Jews in the early 1900's. After much discussion and consideration, I have concluded that it is best to address the merits of each humanitarian program as presented, instead of a formulaic approach for the distribution of funds to social welfare versus other Holocaust related causes.

That being said, most of the funds available for humanitarian purposes will be reserved for the benefit of needy Holocaust victims worldwide. It is my view, however, that allocating some amount of the funds available to support the strengthening of Jewish culture and heritage in recognition that the Nazis attempted to eradicate Jewish culture as well as the Jewish people, is a legitimate way of memorializing those Holocaust victims who did not survive.

Financial Results/Budgets: Over the past year, ICHEIC has made great strides in improved financial reporting, accountability and transparency. Detailed budgetary information has been made available to the full ICHEIC (including Board members, alternates and observers), U.S. regulators and many Jewish organizations and is now posted on the ICHEIC website. The ICHEIC Finance Committee receives quarterly Budget vs. Actual results with detail explanations for variances.

ICHEIC management has also analyzed various elements of cost in an effort to reduce administrative expenses while improving performance. A notable example is the appeals process, which was being developed as an outsourced function. During 2003, a plan was developed to bring the appeals function into the London office, thereby saving about $3 million, or about one-half the original appeals budget.

ICHEIC has benefited from recent currency exchange fluctuations between the Euro and US dollar. This is the pleasant outcome of having received the German Foundation/GDV settlement funds in Euro. Since most of ICHEIC's obligations for claims, expenses and humanitarian programs are denominated in US dollars, ICHEIC converted a significant portion of the funds to US dollars at various rates, resulting in realized exchange gains of $22 million (when compared to the exchange rate in October 2002 when the funds were received). If these funds are not needed for claims payments or operating expenses, this represents additional funds that will be available for humanitarian purposes.

Unfortunately, the lifetime estimated cost of ICHEIC will be high. The process has proven complicated and laborious, resulting in a system that is more costly and has lasted longer than any of us would have imagined. Because the ICHEIC mandate is to provide restitution for unresolved insurance claims of Holocaust victims (thus satisfying a contractual obligation) as opposed to a subjectively determined humanitarian payment like, for example, the slave labor program, the process is decidedly more complex and involved. This was particularly true at the front end of the process, in which many meetings occurred and much discussion was held regarding relaxed standards of proof, processing issues and valuation guidelines.

In 1999 alone, there were eight full ICHEIC meetings with anywhere from 49 to 83 in attendance at each. In addition to these full ICHEIC meetings, there were many meetings of the various subcommittees, including Executive Oversight, Valuation and Outreach. ICHEIC was required to pay the travel and meeting costs for many participants of these meetings, as well as provide translators.

All of this, and the fact that a major outreach program was developed in anticipation of an extremely high number and value of claims (which has not materialized to the extent anticipated) contributed to high costs, particularly in earlier years, when ICHEIC was developing the process.

On a positive note, intense negotiations with the MOU companies, and the German Foundation and German Insurance Association has resulted in ICHEIC receiving a total of about $465 million in funding and/or settlements. When added to the approximate $35

million in foreign currency exchange gains and interest income, ICHEIC has received a total of about $500 million for claims payments, humanitarian purposes and operating expenses.

Expenses incurred life to date through 2002 total $56 million, and are budgeted to total $85-95 million by the time the process is compete. When compared to total funds received by ICHEIC, the lifetime operating expenses are expected to equal about 17-19% of total funds received. The remainder of the funds will have gone toward direct claims payments, humanitarian payments, or other humanitarian purposes.

FUTURE PRIORITIES

As previously highlighted, the number of offers has increased nearly three-fold over the past 22 months. Under no analysis however will I assert that ICHEIC has processed the number of claims that we should have at this point. Given the age, frailty, and need of many of our claimants, it is imperative that we move more quickly in getting these claims decided.

Despite our progress over the past 22 months, we have been faced with a number of challenges on the claims processing front. We are working to address each of these obstacles as we focus on ensuring that every ICHEIC claim receives a fair evaluation in the most efficient and effective manner possible.

I recognize that we have necessarily laid strong emphasis in the past on establishing a system to handle ICHEIC claims and guidelines by which these claims could be evaluated. We have accomplished this goal and have shifted our focus to ensuring that claims already in the ICHEIC system are now processed as quickly and efficiently as possible, while at the same time being evaluated in accordance with ICHEIC guidelines. Our priorities over the next year include:

- ***Ensuring companies have everything needed to process claims:*** With several new claims-team members in place, we will accelerate our efforts to work with companies to ensure they receive requested information and documents in a timely fashion so as to ensure that claims can be processed by these companies as quickly as possible.

- ***Continued Verification:*** We are committed to continuing our verification efforts with the aim of ensuring that companies are issuing decisions on claims that are in accordance with ICHEIC guidelines. In this light, we are also dedicated to working cooperatively with companies to ensure that problems are corrected and misunderstandings resolved in a timely fashion.

- ***Ongoing reconciliation efforts:*** As discussed previously, ICHEIC will continue to work with companies to reconcile claim specific information. The Commission intends to further break down the categorization of claims that are currently being

processed in order to better ascertain where they are in the processing stage. This will allow us to communicate more detailed information on claims to both claimants and their representatives.

- ***Finalizing the majority of ICHEIC audits:*** As companies are unable to finalize offers and/or denials (providing claimants the opportunity for appeal) until their audits are complete, a key priority is ensuring a rapid audit closeout process in the coming months. We anticipate reaching Stage 1 compliance by late autumn with respect to Allianz Leben, Vereinte[9], AGF (Allianz's French subsidiary), and Winterthur. Further work remains with regard to Generali's west European operations and its east European subsidiaries in order to bring them into full compliance.

- ***Finalizing list publication and focus on matching:*** ICHEIC is working to ensure that all available lists are published by the end of this month so that all potential ICHEIC claimants will have the opportunity and time necessary to search those lists and to submit a claim to the Commission. We are also committed to investing more in internal matching procedures in an effort to ensure that additional claimants receive payment. I recognize that these matching efforts will require significant follow-up with companies involved in the ICHEIC process. This will be a priority for the claims team.

- ***Working with companies/GTF to increase the speed of processing (in particular – larger companies with an extensive number of claims):*** As we look to the back end of the claims process, ICHEIC intends to work with the companies to ensure that sufficient resources are available to speedily process claims.

- ***Continued improvements in communication:*** In an attempt to provide claimants a more user-friendly forum in which to download claim forms and walk through the ICHEIC claims process, ICHEIC intends to launch a new website in the coming month. ICHEIC will continue to utilize the website to make available information to potential claimants, regulators, Jewish groups, Congress, and all other interested parties.

WHERE CONGRESS CAN HELP

In our attempts to increase the speed and efficiency of the claims process, we have come across a number of challenges where we would like Congress to help. These include:

Improving the rate by which GDV companies are able to process claims

As I stated previously, we are working to improve the rate by which claims covered under ICHEIC's agreement with the German Foundation and the GDV are processed.

[9] acquired by Allianz in 1998

Given current bottlenecks within some of the state restitution archives in Germany, we believe the voice of Congress could provide a useful catalyst for accelerated action by the archives.

Through ICHEIC's agreement with the German Foundation and GDV and given the level of compensation through German federal compensation programs following the Holocaust, claims on German companies must be checked against local restitution archives to ensure that there was not previous compensation, before a claim can be processed and/or paid by a German company. This process can, at times, significantly delay the processing of certain claims. According to ICHEIC's agreement with the German Foundation/GDV, if a claim was compensated through a federal compensation program, it is ineligible for payment under the ICHEIC claims process.

Restitution archives in the German states of North-Rhine-Westphalia, Hamburg, Baden-Wuerttemberg, Saarland and Bremen have been supportive and cooperative since the beginning of the process and have provided the necessary information free of charge. The German states of Lower Saxony, Berlin and Schleswig-Holstein are cooperating or have recently declared their cooperation after repeated intervention by the GDV and the Foundation with the states' prime ministers (i.e., governors). However, the same intervention with the prime ministers of Bavaria, Hesse and Rhineland-Palatinate has not resulted in the desired cooperation thus far. Bavaria and Hesse are requiring a separate consent declaration from each single claimant to research in their archives, rather than accepting the consent declaration given to ICHEIC when claimants filed their claims. Rhineland-Palatinate is requesting fees to provide the necessary information and is the only German state to do so.

I respectfully request Congress to assist ICHEIC in urging the prime ministers of Bavaria, Hesse and Rhineland-Palatinate to consent to cooperate with the Foundation and the GDV without placing unnecessary burden on claimants or adding to the cost of the process by requesting fees for the required services. My staff and I are ready to coordinate with you on this important issue.

Greater cooperation from the Governments of Romania and Hungary for archival information

Previously, ICHEIC researchers were unable to gain access to key archival records in Hungary and Romania, countries likely to contain important information relative to insurance policies owned by members of the Jewish community prior to and during the Holocaust. Part of this region – specifically northern Transylvania – that is now within the territory of Romania was once part of Hungary. As the region was part of the Austro-Hungarian empire, and that Austrian Jews were known to have had a high propensity to own life insurance relative to the rest of the population, we have strong reason to believe that gaining access to these archives would provide us with crucial information on life insurance policies in existence in those countries during the Holocaust period.

In the interest of providing ICHEIC claimants with every possible opportunity to have their claims supported by as much evidence as possible, I have decided to go back to Hungarian and Romanian officials, this time at a high political level, to press for their cooperation.

I also would request the assistance of the Congress in making appropriate requests of the our Administration on this issue, to encourage the appropriate officials at The White House and the Department of State to intervene directly with the leaders of Hungary and Romania. It is my view that the requests we are making are important beyond gaining access to historical documents. The aspiring democracies of Hungary and Romania must know that among the burdens and benefits of a democratic society is a requirement for honest and unflinching examination of past and present activities of government. When governments carry out or condone anti-Semitism, racism, or ethnic hatred, sunshine and transparency are among the best antidotes to correct these grievous historical wrongs. As long as they continue to deny access to the historical truth, Hungarian and Romanian government officials will not reach their aspirations for a democratic society; they will remain mired in the history of their predecessors who operated in secrecy and deceit. We in the United States, as their ally in NATO and a strong supporter of their membership in other regional and international bodies, have a duty to hold them to the standards to which we hold ourselves.

I urge the Members of this Committee and your fellow Members of Congress to assist claimants in their search for justice and truth – justice that has been too long denied, and the truth that has been hidden for far too long – to join me in urging Hungarian and Romanian officials to open their archives to researchers.

Working with the Polish Government to obtain policyholder lists

I have recently been informed that the Polish government may have Polish policy files for several ICHEIC companies. I am in the process of verifying this information. If, in fact, the Polish government does have such files, I would welcome your assistance, through making requests to Administration officials or directly to the Government of Poland, to obtain these documents so that we might use them in our investigation/evaluation of ICHEIC claims.

CONCLUSION

In conclusion, I thank you for the opportunity to appear before you and explain what we have been doing, what we still need to do, and in what areas we would ask for your assistance, to help us carry out and complete our mission: providing Holocaust victims and their heirs recourse to receiving payment on previously uncompensated Holocaust-era insurance claims. I look forward to responding to any questions you may have.

Appendix

Sources of Policyholder Names on ICHEIC's Website

Germany (German Insurance Association)	363,232
Allianz/RAS	5,691
AXA	191
Generali	45,152
Winterthur	73
Zurich	1,068
Total from MOU Companies	52,175
Belgium (Buysse Commission)	217
Czech Republic (Ministry of Finance)	207
Israel (Ministry of Finance)	250
Netherlands (Association of Insurers in the Netherlands)	759
Total from Governmental Sources	1,433
Austria State Archives - Vienna (Research conducted by Helen Junz)	14,921
Asset Declarations & Tax Forms (Research conducted by Facts & Files)	77,517
Confiscated Italian Policies (Research conducted by Facts & Files)	236
Reich Oversight Offices (Reesearch conducted by Risk International)	5,181
Total from Archival Research	97,855
Non-ICHEIC Companies	4,314
Total	519,009