



News Release

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German Foundation Criticized on Holocaust Negotiations

NAIC Members Adopt Resolution: States May Act if Agreements Not Reached

KANSAS CITY, Mo. (Sept. 5, 2001) — Members of the National Association of Insurance Commissioners (NAIC) today unanimously adopted a resolution that expresses dissatisfaction with the positions taken by the German Foundation in negotiations regarding payment of Holocaust-era insurance claims. The resolution calls on states to consider a broad range of actions in response — including reconsideration of safe harbor provisions, holding informational hearings and making relevant court filings.

The Foundation has yet to agree with the International Commission on Holocaust Era Insurance Claims (ICHEIC) on basic claims-handling standards and has also proposed a \$76 million reimbursement, to be paid out of claims and humanitarian funds, to companies for their past and future costs.

“Slave labor payments have commenced, but issues relating to unpaid insurance benefits are still tied up in knots. Holocaust survivors and their heirs and beneficiaries are weary with the pace of progress with the German Foundation on insurance issues,” said Illinois Insurance Director Nat Shapo, chair of the NAIC's International Holocaust Commission Task Force. “State insurance commissioners have an obligation to our constituents to speak out and consider taking action in response to the delay in the insurance portion of the Foundation agreement. Since the Feb. 15, 2002, deadline for filing insurance claims with ICHEIC is quickly approaching, we need to give tangible reassurance to claimants that claims will be paid on time.”

The German Foundation is the result of an executive agreement between many parties, including German industry and the governments of the United States and Germany, which created funds to pay Holocaust-era insurance claims. The tangible benefit gained by German

industry as a result of its participation in the Foundation is “legal peace” in the judicial processes of the United States. The Foundation provides DM 10 billion to redress injuries from the Holocaust era. Most of these funds go to slave and forced laborers, but at least DM 550 million is designated for insurance-related payments.

The U.S.-German Executive Agreement calls for ICHEIC to administer the payment of a set amount for claims, claims reserves and humanitarian purposes. The agreement also calls for the German Foundation and the German Insurance Association to work with ICHEIC and to follow core ICHEIC standards.

But the Foundation and ICHEIC have negotiated for more than a year on how the German companies will implement these core ICHEIC standards, and the Foundation presently has not agreed to ICHEIC standards with respect to the publication of policyholder lists, transparent audits of company records and procedures, and the establishment of an accountable appeals process for denied claims.

To encourage the cooperation of the German Foundation, the NAIC resolution states: “Until this matter is resolved, individual states should, as appropriate, take any or all of the following steps as allowed by law: Re-evaluate the formal or informal ‘safe harbor’ provisions given to affected insurers; hold hearings about the German Foundation-ICHEIC negotiations and also about the progress made by ICHEIC member companies in processing and paying legitimate claims; and make filings in relevant court cases involving the matter of unpaid Holocaust-era insurance claims.”

The Foundation has presented the ICHEIC with a proposal that calls for the reimbursement of \$76 million in Foundation funds to German companies for processing Holocaust-era claims and making humanitarian payments — thus diverting to the companies more than half of the claims money and a retroactive \$36 million reimbursement of these companies’ past payments to ICHEIC. State insurance regulators on the ICHEIC have objected to this proposal.

“The Foundation proposal on costs is unacceptable. Its excessive reimbursements to the companies are not appropriate under the letter or the spirit of the U.S.-German Executive Agreement,” Shapo said.

Shapo said that the NAIC's International Holocaust Commission Task Force will keep a close eye on this issue: "The Foundation-ICHEIC negotiations are ongoing, and there is an ICHEIC meeting in Washington, D.C. in mid-October. The Foundation and effected companies will have opportunities to resolve these issues in a fair and reasonable manner. Our hope is that this NAIC action will help keep public focus on this important matter."

About the NAIC

Headquartered in Kansas City, Mo., the National Association of Insurance Commissioners (NAIC) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and four U.S. territories. The association's overriding objective is to protect consumers and help maintain the financial stability of the insurance industry by offering financial, actuarial, legal, computer, research, market conduct and economic expertise. Formed in 1871, it is the oldest association of state officials. For more information, visit NAIC on the Web at www.naic.org/pressroom.

About ICHEIC

The International Commission on Holocaust Era Insurance Claims (ICHEIC) was established in October 1998 by the National Association of Insurance Commissioners in cooperation with several European insurance companies, European regulators, representatives of several Jewish organizations and the state of Israel. The Commission is charged with establishing a just process that will expeditiously address the issue of unpaid insurance policies issued to victims of the Holocaust.