Testimony of

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United States Senate

Committee on the Judiciary

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Good morning Chairman Graham, Ranking Member Feinstein, and Members of the Committee. Thank you for the opportunity to testify before you today and share my knowledge on the very important issue of Holocaust-era insurance claims. As Director of the New York State Department of Financial Services Holocaust Claims Processing Office (HCPO), I am especially pleased to be able to provide insight into New York State's efforts to provide some measure of justice to the victims of a painful chapter in world history.[1] Today I would like to present you with background on the HCPO, particularly our experience working on Holocaust-era insurance claims, our cooperation with numerous compensation organizations, and our recent efforts to assist individuals with outstanding claims.

I. Introduction to the Holocaust Claims Processing Office

For over 22 years New York State has been at the forefront of efforts to ensure a just resolution of unresolved claims for assets lost due to Nazi persecution. As you are undoubtedly aware, in the late 1990s, disputes over Holocaust-era dormant Swiss bank accounts and unpaid life insurance policies focused international attention on a myriad of issues concerning unresolved claims for assets lost during the Holocaust-era. During those early days, before settlements and claims processes, New York State recognized the need for an agency to assist individuals attempting to navigate the emotionally charged maze of Holocaust-era asset restitution and, as a result, established the Holocaust Claims Processing Office as a division of the then New York State Banking Department in June 1997.

On July 8, 1998, the New York State Legislature, in keeping with the State's commitments to assist Holocaust victims and their heirs, added Article 27, "Holocaust Victims Insurance Act of 1998" to the New York Insurance Law.[2] This legislation required New York State insurers affiliated with insurance companies that did business in areas under Nazi influence during the Holocaust-era to file annual reports and to resolve all unpaid insurance policies issued to Holocaust victims. Most importantly the act provides for assistance to Holocaust victims and their heirs who have

[1] The HCPO 2018 Annual Report on is attached as Appendix 1.
[2] NY CLS Ins Article 27, Holocaust Victims Insurance Act of 1998.

insurance claims resulting from losses suffered due to discriminatory laws, policies or actions between 1933 and 1945.

The HCPO was initially intended to assist individuals hoping to recover assets deposited in Swiss banks. It soon became apparent that claimants also needed help recovering a range of other property and by the end of its first year of operation, the HCPO expanded its mission to assist in the recovery of assets held in non-Swiss banks, proceeds from Holocaust-era insurance policies, other material losses, and works of art that were lost, looted, or sold under duress between 1933 and 1945. In 2011, the Banking and Insurance Departments merged to become the Department of Financial Services (DFS) and the HCPO became a unit within DFS's Consumer Protection and Financial Enforcement division.

Shortly after the creation of the HCPO and passing of New York's "Holocaust Victims Insurance Act of 1998", numerous agreements allocating funds for restitution were reached, and processes to disburse payments were established.[3] However, no roadmap existed to guide the newly created restitution organizations in setting parameters by which they could accomplish their missions. Thus, a network of frequently overlapping claims processes developed and was so complex that it became nearly impossible for an individual claimant to proceed unaided.[4]

The HCPO is the only government agency in the United States that assists individuals, regardless of their place of residence, to file claims with a variety of multinational restitution processes. Claimants pay no fee for the HCPO's services, nor does the HCPO take a percentage of the value

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[3] Take for example the Holocaust Victim Assets litigation in the U.S. District Court for the Eastern District of New York, Chief Judge Edward R. Korman presiding, and the Claims Resolution Tribunal ("CRT"); the Washington Agreement between the United State and France and the Commission for the Compensation of Victims of Spoliation Resulting from the Anti-Semitic Legislation in Force during the Occupation ("CIVS"); the Memorandum of Understanding, between European insurers, United States insurance regulators and others, and the International Commission on Holocaust Era Insurance Claims ("ICHEIC"); the Foundation "Remembrance, Responsibility, and the Future" (German Foundation) and the Property Loss Claims Commission as well as Slave and Forced Labor programs; the Washington Agreement between the United State and Austria and the General Settlement Fund ("GSF"); the Enemy Property Claims Assessment Panel ("EPCAP"); and the Belgian Jewish Community Indemnification Commission. These are but a few of the agreements and claims processes which were created at the end of the 1990s and early 2000s.

[4] Figure 1, Compensation Organizations and the HCPO, of the HCPO's 2018 Annual Report, which is included here as Appendix 1, illustrates the numerous claims processes created in the past 20 years.

of the assets recovered. To date, the combined total of offers extended to HCPO claimants for bank accounts, insurance policies, and other asset losses amounts to more than $178 million, $34 million of which is compensation for insurance policies. Additional information about the work of the HCPO, including past speeches and presentations, annual reports, and claim forms is available online at https://www.dfs.ny.gov/consumers/holocaust_claims.

The goal of the HCPO is to advocate for claimants by helping to alleviate any cost and bureaucratic hardships they might encounter in trying to pursue claims on their own.

II. The HCPO's Insurance Claims

To date, the HCPO has handled nearly 4,800 insurance-related inquiries, from individuals in 43 states, the District of Columbia, and 26 countries. These inquiries have generated 2,465 claims, primarily for life, dowry, and endowment insurance policies.

The number of insured persons and insurance policies exceeds the number of claimants; the 2,465 insurance claims are for 6,404 policies and name 3,766 insured persons. In many instances, individuals had multiple insurance policies, often with different companies; in other cases, the claimant is the sole survivor of a large family.

In response to the complex nature of restitution claims, the HCPO gradually developed a systematic method, broadly described in four steps, to handle cases. First, individual claims are assigned to members of the HCPO's staff who assist in securing the necessary genealogical and historical documentation to ensure viability of the claim. Second, the HCPO determines where to file the claim(s). Third, the HCPO submits the claim to the appropriate company or claims process. Finally, the HCPO reviews the decision rendered on the claim to ensure that it adheres to published processing guidelines, assists with appeals when necessary, and guides claimant's through the payment process when awards are offered.

III. HCPO Research

A. General Historical Research

The HCPO undertakes general historical research to support the Superintendent of Financial Services Holocaust-era insurance related activities. Moreover, such research corroborates and contextualizes the information the HCPO shares with claimants, claims processing organizations, and companies.

In the context of today's discussion, the HCPO undertook a study of the prewar European insurance market utilizing statistics on direct premium income (the industry standard used to measure market share) in 1936.[5] Analyzing market share provides a tool to determine the comprehensiveness of restitution efforts both past and present, while studying the size of the market as a whole provides a perspective on the number of potential unpaid Holocaust-era policies, i.e. the smaller the market, the fewer policies overall, and therefore, the fewer policies that potentially remain to be paid today.

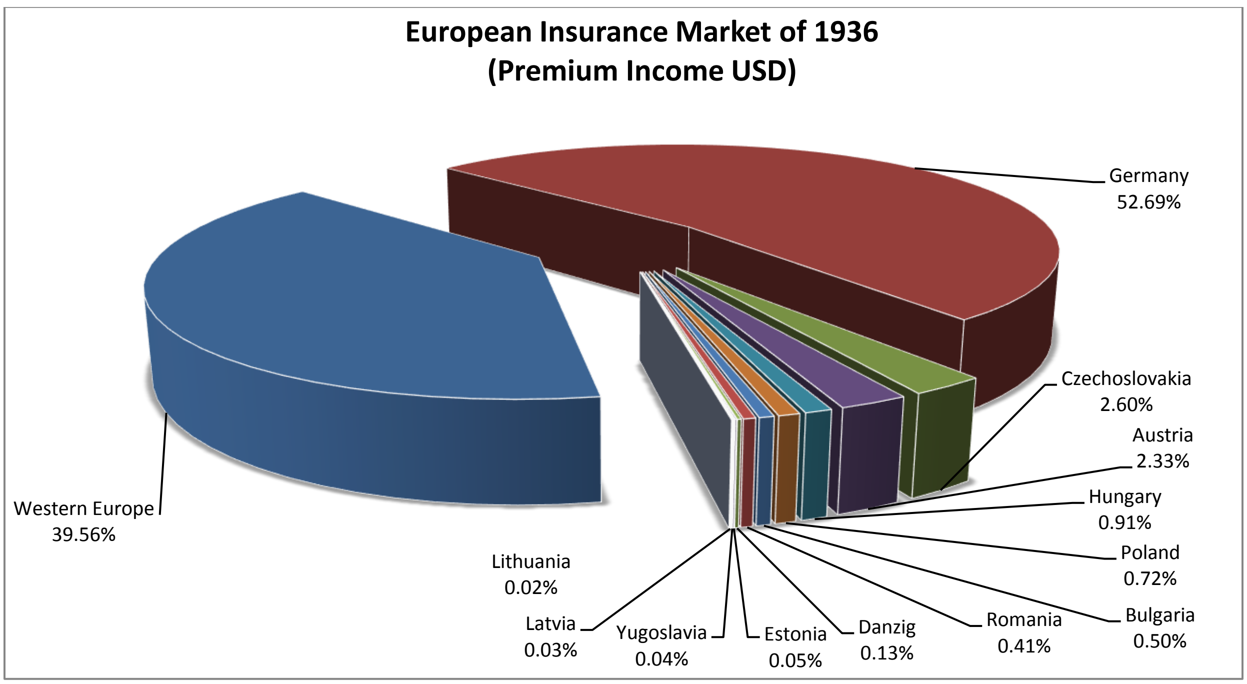

Figure 1 –Western Europe includes Belgium, Denmark, France, Italy, Netherlands, and Norway, countries that were subsequently occupied by the Nazis.

[5] The complete HCPO report on the prewar European insurance market is attached as Appendix 2.

The results illustrate that the domestic German market was by far the largest in continental Europe in 1936. In contrast, the domestic markets in other Central and Eastern European countries, even in Czechoslovakia, the most industrialized of those states, were significantly smaller. For example, the aggregate market share of the combined domestic markets of Austria, Hungary, Czechoslovakia, Poland, Bulgaria, Yugoslavia, Romania and the Baltic countries was approximately 7.6% of the total market, although their combined populations comprised over 100 million in comparison to Germany's 66 million.

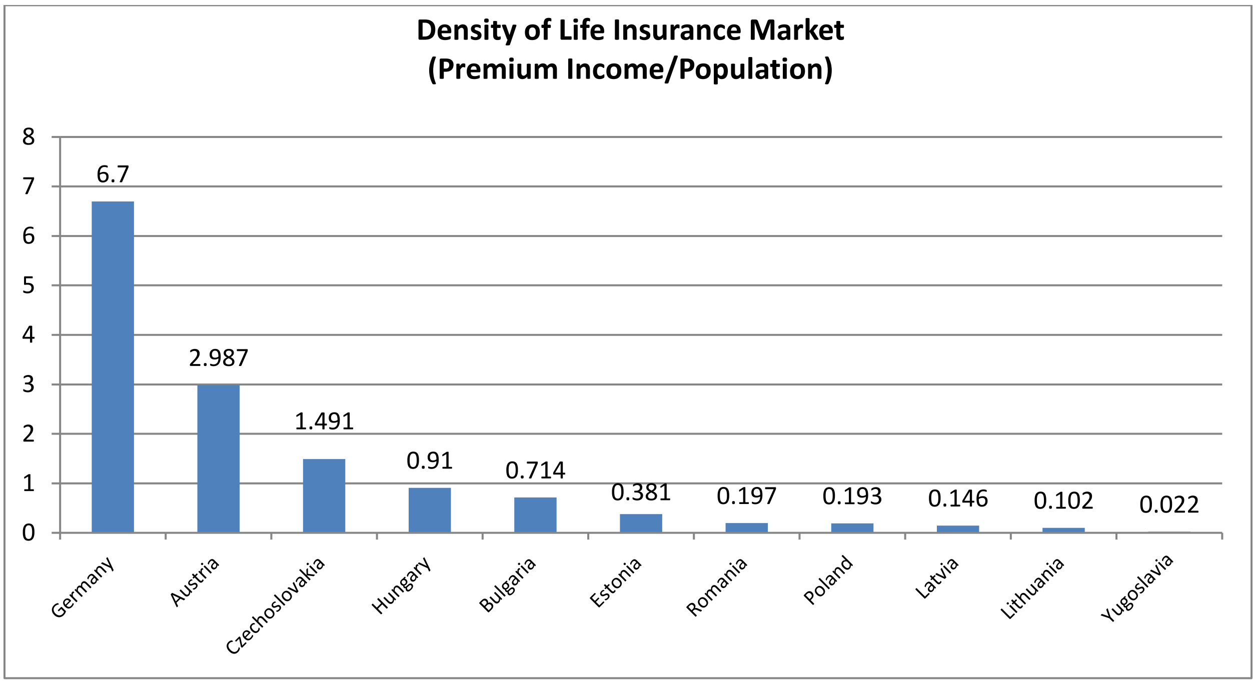

Figure 2 – This chart shows the difference in premium payments between Central and Eastern European countries as related to the size of population (as of the last official census figures as of 1936). The figures for each country represent the amount in 1936 US Dollars each person would have paid in life insurance premiums.

This research has also confirmed the relatively underdeveloped state of the Eastern European insurance market at the time. Relative to population, the insurance markets in these countries were substantially smaller than those in their West European counterparts. Poland, the most populous country in Eastern Europe other than the USSR, had one of the smallest markets, both in terms of market share and per capita insurance. According to the figures reported in the 1936

Assekuranz Jahrbuch,[6] the total number of life insurance policies in force in Poland, whose population exceed 32 million people, was 257,684; most of those (over 48%) were written by the PKO, one of three public life insurance companies, while Generali only reported 13,475 policies (about 5% of the Polish life insurance market).

Trying to assign an overall present-day US dollar value to the prewar European insurance market is highly contingent on the chosen valuation method (e.g. consumer-price index; thirty-year Treasury bond yields). Nevertheless, in order to provide a reference point in present-day terms, we used ICHEIC's valuation guidelines[7] to calculate the value of the 1936 direct premium income across the European market. This method of converting 1936 dollars to present-day sums, unlike using the US Consumer Price Index or long bond rates, takes into consideration the deflation suffered by most European currencies after 1945. The total value of the 1936 market in 1936 US dollar (converting the 1936 local currency to the 1936 US dollar using the end of year exchange rates for 1936) yield a market valued at approximately $908 million dollars. We applied ICHEIC's valuation guidelines to the 1936 sums, using the most generous multipliers for each country[8], to bring them up to December 2006 values, as this was the final date for ICHEIC decisions. The calculation yielded a December 2006 value of the prewar market at just over $13 billion. Please note that this represents the value of the entire insurance market, and not the value of the market that may have been owned by victims of Nazi persecution.

Victims of Nazi persecution made up a small percentage of the prewar population of the largest European insurance market (Germany, 0.5%); moreover, the country with the largest percentage of Nazi victims (Poland) had a relatively small and underdeveloped insurance market. It is therefore unlikely that billions of dollars worth of insurance policies belonging to victims of Nazi persecution remain unpaid, particularly after the extensive compensation programs of the 1950s

[6] The *Assekuranz Jarhbuch* was an annual insurance industry periodical, which compiled statistics provided by national insurance regulatory agencies.
[7] It should be noted that the valuation of prewar claims for financial instruments has been a matter of negotiation between numerous parties and the method chosen has varied by country and claims process.
[8] Using a less generous ICHEIC multiplier based on the year of the insured event the calculation yielded a total value (as of December 2006) of $6.2 billion, demonstrating how contingent assignment of present-day value is on the method employed.

and 1960s as well as modern-day processes such as ICHEIC, the Austrian General Settlement Fund and other entities discussed below.

B. Research on Behalf of Claimants

In addition to general historical research, the HCPO also undertakes claimant specific research. Claims received by the HCPO range from the partially or even fully documented to the purely anecdotal.

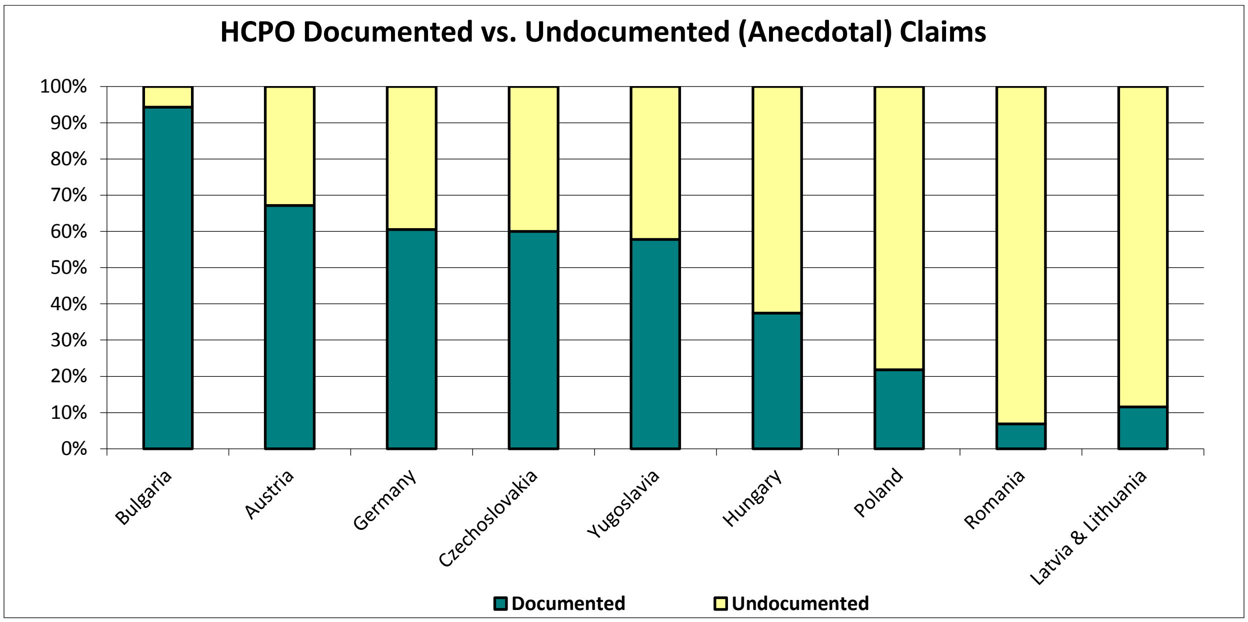

Figure 3 – This chart only represents a fraction of the claims received by the HCPO as claims from West European countries have also been submitted to the office.

Some claimants furnish documentation such as the actual policy or premium receipt; handwritten lists kept by families that itemized their assets; and prewar and wartime confirmation letters from insurance companies referencing policy numbers and policies. In other instances, claimants document policy ownership through Nazi-era asset declarations; in some cases, policy ownership is revealed by postwar compensation files. However, to date, 46% of the claims filed with the HCPO are purely anecdotal, relying solely on the claimants' recollection of the existence of a policy.

While claimant recollection is a starting point to assess the viability of a claim, for the HCPO to move forward with the restitution process some documentation is needed. Fortunately, claims processes, unlike courts, adopted and apply **relaxed standards of proof** for Holocaust-era claims, because they acknowledge that the passage of time and ravages of war left many individuals without documentation to substantiate their claims.

For example, under the Processing Guidelines of the International Commission on Holocaust Era Insurance Claims (ICHEIC), claimants were allowed "to provide non-documentary and unofficial documentary evidence for assessment," while companies were "not to demand, unreasonably, the production of any document or other evidence which has likely been destroyed, lost, or is unavailable to the claimant."[9] Similarly, the standard adopted by German Foundation Property Loss Claims Commission did not require claimants to submit the stringent evidence that a court of law would demand; instead, claimants were only expected to "credibly demonstrate" what they were asserting.[10]

Though the definition of relaxed standards of proof differs from one entity to the next, they fundamentally all endorse the same principle: a claim cannot be rejected on the grounds that the claimant lacks complete documentary evidence. The application of relaxed standards of proof protects the claimant from unreasonable demands for documentation that is impossible to obtain or may simply no longer exist, such as certain vital records.

[9] "Holocaust Era Insurance Claims Processing Guide, First Edition – June 22, 2003." International Commission on Holocaust Era Insurance Claims. <http://www.icheic.org/pdf/ICHEIC_CPG.pdf> For additional information on ICHEIC'S Relaxed Standards of Proof please see "Standards of Proof, July 15, 1999." International Commission on Holocaust Era Insurance Claims. <http://www.icheic.org/pdf/ICHEIC_SP.pdf>

[10] "Supplemental Principles and Rules of Procedure." Property Claims Commission. German Forced Labour Compensation Programme Remembrance, Responsibility and Future. <http://www.compensation-for-forced-labour.org/content/PCC_rules_e_final.pdf>.

Alternatively, in court, even if a claimant were to overcome numerous technical impediments such as jurisdiction and statute of limitations, those with only anecdotal claims would still face evidentiary obstacles that discovery alone could not resolve. For example, in the absence of documentary proof, claimants do not always know the name of the company from which the insurance policy was purchased. However, paucity of recollection is not always a barrier to the HCPO's ability to assist the individual, nor was it a barrier to filing a claim with ICHEIC.

Contrary to how a claimant would have to proceed in a court of law, naming the company/defendant at the outset, under the ICHEIC process claimants were not expected to name a company and in fact many did not. Claimants who filed with ICHEIC but did not name a company had their claim circulated to all companies that sold insurance in the listed country of purchase. If a match was made the claim went from an unnamed claim to a named claim. If a match was not found, the claim was then forwarded to the 8A1 humanitarian process for consideration. It is still possible to submit a claim that does not name a specific insurer, as both the German Insurance Association (GDV) and the HCPO, will circulate the claims to all relevant companies.

Let me give a recent example: An HCPO claimant, whose family was originally from Germany, initially contacted our office with a general request for assistance with numerous potential claims after having discovered the name of her grandfather on ICHEIC's Potential Holocaust-Era Insurance Policyholder list.[11] Given that her family was from Germany and she was unaware of which company might have issued the policy the HCPO submitted the claim to the GDV so that it could be circulated among all member companies. Concurrent with submission to the GDV, we also filed a claim with the French *Commission for the Compensation of Victims of Spoliation Resulting from the Anti-Semitic Legislation in Force during the Occupation* (CIVS) for material losses after having done research on the family and discovering that the claimant's grandfather relocated to France in the late 1930s.

[11] This list is still accessible through Yad Vashem at https://www.yadvashem.org/pheip/.

As a result of filing through the GDV, the match to the policyholder list was confirmed and a member company offered the claimant a settlement for her grandfather's policy in accordance with ICHEIC's evidentiary and valuation standards. Thus, the continued publication of the potential policyholder list has proven to be a key component to resolving unpaid insurance claims, especially when claimants do not possess policy documentation.

Moreover, as we are able assist individuals with a variety of overlapping processes, the archival research necessary to substantiate such claims is a key component to resolving both material loss claims and in some instances documenting unpaid insurance claims. Such research is a primary aspect of the HCPO's work. This often includes securing documentation from domestic and international archives. From the outset, the HCPO works with city and state archives, probate offices, and religious communities all over the world to obtain vital records -- birth, death and marriage certificates -- as well as last wills and testaments, to document heirship which is another key component to any Holocaust claim.

The HCPO has therefore developed cordial working relationships with archives, historical commissions, financial institutions, trade associations, and governmental colleagues at the federal, state, and local levels in many different countries. This network enables the HCPO to research prewar, Nazi-era, and postwar documentation to obtain evidence about an individual's asset ownership, details of the dispossession, and prior attempts at recovery.

Although lack of documentation may make a claim far more difficult to research it does not necessarily mean a claim cannot be pursued. Another example is the case of Mr. P.L., a Holocaust survivor born in Czechoslovakia. Mr. P.L. sought recovery of the life insurance policies of his father, Mr. R.L., the owner of a metal works factory who was arrested by the Nazis following their occupation of Czechoslovakia in 1939. Mr. R.L. was deported to Mauthausen concentration camp where he perished in 1940. Mr. P.L. was able to flee Czechoslovakia and made his way to Australia. Mr. P.L. had no documentation concerning his family's looted assets but believed that his father had taken out insurance with a Swiss insurance company. The HCPO forwarded Mr. P.L.'s anecdotal insurance application to ICHEIC.

Following this submission, the HCPO continued to research Mr. P.L.'s claim, writing to various insurance companies and to the relevant archives in Brno requesting information about Mr. P.L.'s family. The archives produced extensive records which showed, among other looted family assets, a life insurance policy with the now-defunct Phoenix insurance company. While the archival documents did not contain terms of the policy (e.g., dates, duration), they did indicate the sum insured was 220,000 KCS.

The HCPO forwarded this documentary evidence of the existence of a policy to ICHEIC. Because there is no present-day successor to the Czech Phoenix insurance company, ICHEIC made an award to Mr. P. L. from its 8A2 Humanitarian Fund, which was set up to pay policies issued Eastern European companies that were nationalized or liquidated after World War II and have no present-day successors. In addition to Mr. P.L.'s father's Phoenix policy, 234 other insurance policies claimed by HCPO claimants and issued by companies without present-day successors were paid through ICHEIC's 8A2 process.

IV. HCPO Submission of Claims to Appropriate Entities

With as much information in-hand as possible regarding the claimants' insurance policies, the HCPO begins the second stage of the restitution process – determining where to file the claim. In order to submit a claim to the appropriate company or claims process, it is necessary to first determine what present-day company or claims process is responsible for the policy in question. For claims for policies issued by companies still in existence, finding the appropriate successor is relatively straightforward. But for others, determining the successor is more complex.

A considerable amount of the HCPO staff's time is therefore devoted to successor company research. Researching successor companies is complicated by the following facts: policies written in contested geographical areas were transferred to a variety of companies and different portfolios within these companies; the prewar Nazi consolidation of the insurance industry and the postwar reconstruction; and in some instances nationalization of the industry led to further changes in corporate structures. Moreover, many companies are left with little or no documentation regarding their prewar holdings or the holdings of their subsidiary companies.

Published industry handbooks and government statistical bulletins from the relevant time period help the HCPO determine where companies did business and provide some information regarding the aggregate statistics of the prewar insurance market as well as the market share of individual companies. For example, it is possible to state with some certainty which companies sold life insurance policies in Germany and Poland in 1936.

Once all of the HCPO's research is complete, our role changes from detectives to advocates and facilitators, launching the third phase of the claims process. The HCPO staff submits claims to all appropriate companies, regulatory authorities, governments, and any independent organization established to resolve these claims.

A. The International Commission on Holocaust Era Insurance Claims

The International Commission on Holocaust Era Insurance Claims (ICHEIC) was established in October of 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. ICHEIC was charged with establishing a process to address the issue of unpaid insurance policies owned by victims of the Holocaust. To accomplish this task, ICHEIC entered into agreements with European insurers and created mechanisms by which the Commission was able to identify, settle, and pay individual Holocaust-era insurance claims, at no cost to claimants, using relaxed standards of proof. With the launch of ICHEIC's claims process in February 2000, the HCPO transferred over 2,100 insurance claims to the Commission for settlement. The HCPO's research suggests that over 85% of the companies doing business in

Europe in 1936 were covered by the ICHEIC process.[12] The HCPO worked closely with ICHEIC staff in Washington and London, participated in working groups, provided technical assistance and ensured claimants' concerns were adequately addressed.

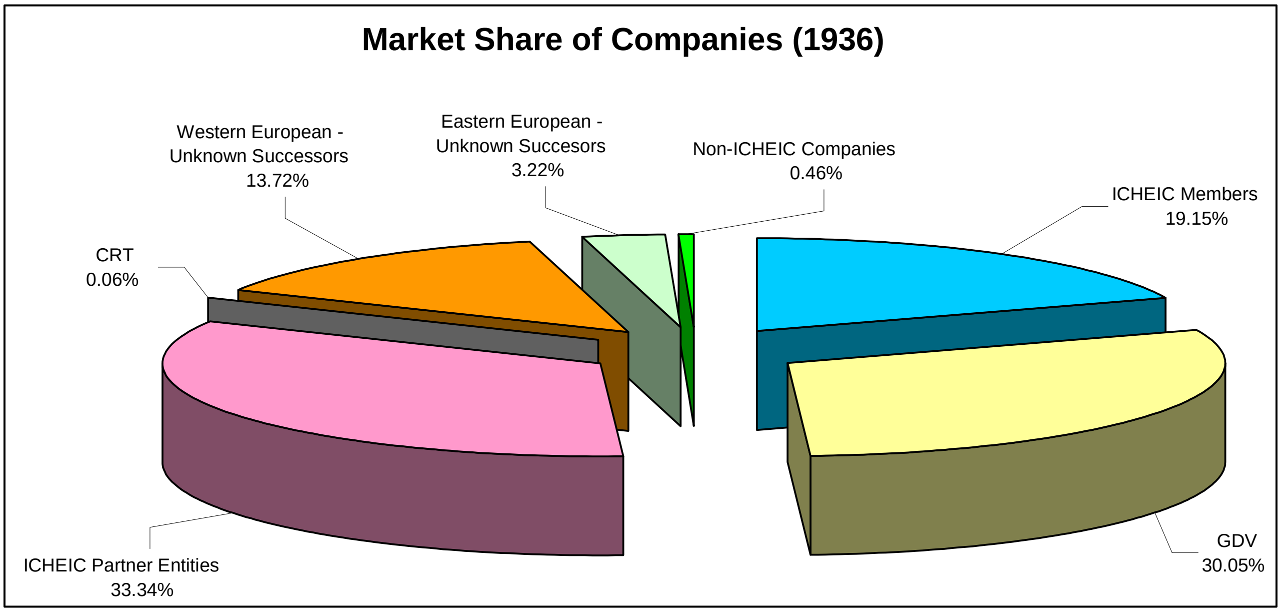

Figure 4 - Based on 1936 direct premium income, this graph illustrates that approximately 85% of the prewar insurance market in countries subsequently occupied by the Nazis was covered by the ICHEIC process, either directly by ICHEIC member companies or through ICHEIC's partner entities.

B. The Austrian General Settlement Fund

The Austrian General Settlement Fund (GSF) Law of 2001 created the legal basis for dealing with the financial claims of Holocaust victims. The Austrian Insurance Association and its member companies passed a unanimous resolution in April 2001 to contribute $25 million to the GSF. The GSF has assumed the task of processing the insurance claims of Holocaust victims and their heirs. The HCPO has submitted claims on behalf of over 360 claimants either directly or through the GSF's partnership with ICHEIC. The HCPO continues to monitor these claims and conduct

[12] The market covered by the ICHEIC process includes Eastern European companies that were nationalized or liquidated after World War II and have no present-day successors. ICHEIC's humanitarian claims process (the 8A2 process) covered claims for policies issued by such companies, which comprised approximately 3% of the 1936 market.

additional research.

C. Other Claims Processes

In addition, HCPO insurance claims have been forwarded to a number of other entities for resolution, including the Generali Fund in Memory of the Generali Insured in East and Central Europe Who Perished in the Holocaust (GTF), the Holocaust Foundation for Individual Insurance Claims (Sjoa Foundation), the Claims Resolution Tribunal (CRT), and the Belgian Jewish Community Indemnification Commission (Buysse Commission). Claims were submitted to these organizations either in accordance with ICHEIC's partnership agreements with these entities or directly by the HCPO.

D. Assicurazioni Generali S.p.A.

Though three class action suits brought in the United States District Court Southern District of New York against Assicurazioni Generali S.p.A.[13] (Generali) were dismissed with prejudice by the Court on October 14, 2004, the parties entered into the Settlement Agreement on August 25, 2006 which was finalized and approved on January 7, 2008. The deadline for submitting a claim to Generali's Policy Information Center (PIC) in Trieste, Italy was December 31, 2007; however, the deadline for submitted claims based on documents obtained from ITS was extended to August 31, 2008. The HCPO submitted 81 claims to the PIC for resolution.

E. Insurance Companies Before and After ICHEIC

Prior to the establishment of ICHEIC, the HCPO submitted claims for insurance policies directly to the issuing insurance company or its present-day successor, if one could be located. At ICHEIC's final meeting in March 2007, all ICHEIC member companies, as well as over 70 companies in the German Insurance Association (GDV), through its partnership agreement with ICHEIC, reiterated their commitment to continue to review and process claims, including those where a specific insurer is unnamed, sent directly to them in accordance with ICHEIC's relaxed standards of proof.

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[13] *In re: Assicurazioni Generali S.p.A. Holocaust Insurance Litigation* Docket No. 05-5602, et al. filed in the United States District Court for the Southern District of New York.

Since ICHEIC ceased operations at the end of March 2007, the HCPO has once again resumed dealing with insurance companies directly to resolve outstanding claims.

Since ICHEIC closed in March 2007 the HCPO has received approximately 545 insurance related inquiries resulting in 357 claims for 122 individuals. This number of inquiries is consistent with 399 submitted directly to the GDV (the GDV publishes post-ICHEIC claims statistics on their website at https://secure.gdv.de/entschaedigung) and the 499 claims submitted to Generali's Policy Information Center (PIC).[14] Of the HCPO's post-ICHEIC inquiries 231 claims were sent to the GDV or directly to GDV member companies, 107 were sent to Generali, 2 were sent to CIVS in France, 5 were sent to the Sjoa Foundation in the Netherlands, 12 were determined to be related to policies issued by Austrian insurers, and several more are pending investigation. Approximately one-third of these claims resulted in offers totaling more that $3.3 million.

Unfortunately, for a variety of reasons not all claims are eligible for restitution through present-day programs: no record of the policy can be located either within company records or in archives; the policy in question lapsed prior to the start of the Holocaust-era; the policy was issued by a company for which there is no present-day successor; the policy were previously compensated under claims processes enacted in the immediate postwar period.

Over two decades working with different restitution processes has sensitized the HCPO to the dangers of duplication of efforts. It has been our experience that claimants will pursue all means possible to recover lost assets and to that end submit applications for the same assets to multiple venues. Indeed, many of the inquiries the HCPO has received since March 2007 have already been settled though prior compensation efforts, including ICHEIC. In the absence of new documentation, submission of a claim for the same policies would likely yield the same outcome. The companies, who were independently audited, would review the same files again and claimants would invest time, money, and emotional capital to achieve the same result. We must

[14] As the HCPO submits claims to the GDV and the PIC, HCPO claims are captured in their numbers as well.

therefore manage claimants' expectations and not raise an exaggerated sense of what might be accomplished through litigation.

V. Resolution of Claims

The final stage of the process commences once a company or claims process has completed its review of a claim and reaches a determination. At this juncture, the HCPO reviews the decision to ensure that it adheres to that entity's published processing guidelines. Since claimants may lose track of all the claims they have submitted, and since each agency has unique and often complex guidelines, the HCPO helps claimants to understand these guidelines in order to interpret decisions.

In the event that a claimant disagrees with a company or claims process' determination of his or her claim, the HCPO guides claimants through appealing the decision and offers whatever further assistance possible. Alternatively, when claimants receive positive decisions that include monetary awards, the HCPO facilitates payment by explaining the various release and waiver forms and by following up with the claims agency to confirm payment.

Although each case is unique and highly fact dependant, the HCPO consistently approaches all of its restitution cases with moral certitude and handles each case with sensitivity in light the suffering endured by claimants and their families. The HCPO encourages all parties to seek resolution outside the courts as there are many reasons to avoid litigation: lengthy process, stringent evidentiary rules, conflict of laws, attorney's fees which can exceed the value of the asset, statute of limitations, and unpredictable outcomes. Moreover, litigation can be a public and emotionally wrenching affair. Instead, the HCPO facilitates cooperation between parties through open and amicable discussion and by sharing all supporting documentation. We seek to resolve each case in a just, prompt and fair manner relying on moral persuasion and historical and current international principles of restitution.

VI. Conclusion

No system – be it a voluntary program or the courts – can resolve all the wrongs done during the Holocaust.

Working directly with claimants over the past 22 years has provided the HCPO with a unique vantage point. As we continue to assist individuals find some measure of justice we have learned that not every resolution of a claim depends on the recovery of an asset or monetary settlement. Success can consist of obtaining closure for a claimant, for example, by providing documentation that shows earlier compensation of the property.

Like the missing property we search for, no two claims are alike; each requires conscientious individual attention and painstaking effort. The process of restitution is difficult and distressing for claimants; however, the HCPO's successes show that compensation for assets lost during the Holocaust-era is still possible. New legislation will likely not achieve the closure our elderly claimants are seeking. The HCPO's experience has shown that thoughtful research in conjunction with utilizing the mechanisms currently in place to process claims can minimize the difficulties suffered by claimants in dealing with matters of Holocaust-era asset compensation.

Appendix 1

Department of Financial Services

Holocaust Claims Processing Office

Annual Report to the Governor and Legislature

January 15, 2019

Maria T. Vullo, Superintendent

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I. Introduction

In the summer of 1998, the State of New York enacted the *Holocaust Victims Insurance Act of 1998*, which was followed by the signing of a Memorandum of Understanding between U.S. insurance regulators (New York being among the leaders), European insurance companies, and representatives of international Jewish and survivor organizations establishing the International Commission on Holocaust Era Insurance Claims ("ICHEIC"). This past year marked the 20th anniversary of the Holocaust Claims Processing Office's efforts to resolve claims for unpaid insurance policies. Though ICHEIC closed in 2007, the HCPO continues to work directly with insurance companies, foreign insurance agencies such as the German Insurance Association, and claims processes to address outstanding claims.

The State of New York continues to help individuals of any background obtain a measure of just resolution for the theft of property during the reign of the Nazi regime. Due to our efforts, banks, insurance companies, international organizations, museums and art collectors, and countries around the world are sensitized to the issues regarding Holocaust-era assets and therefore continue to consider restitution claims from Holocaust victims and their heirs.

The HCPO was established to provide institutional assistance to individuals seeking to recover assets lost due to Nazi persecution. Claimants pay no fee for the HCPO's services, nor does the HCPO take a percentage of the value of the assets recovered. The HCPO is a unit within the Financial Frauds and Consumer Protection Division in the Department of Financial Services ("the Department").

The HCPO has been able to ease the burdens, roadblocks, and costs often incurred when individuals pursue claims on their own. It remains the only government entity in the world that aids Holocaust victims and their heirs with a variety of multinational restitution and compensation processes.

II. Overview of Operations and Accomplishments

Summary of Operations

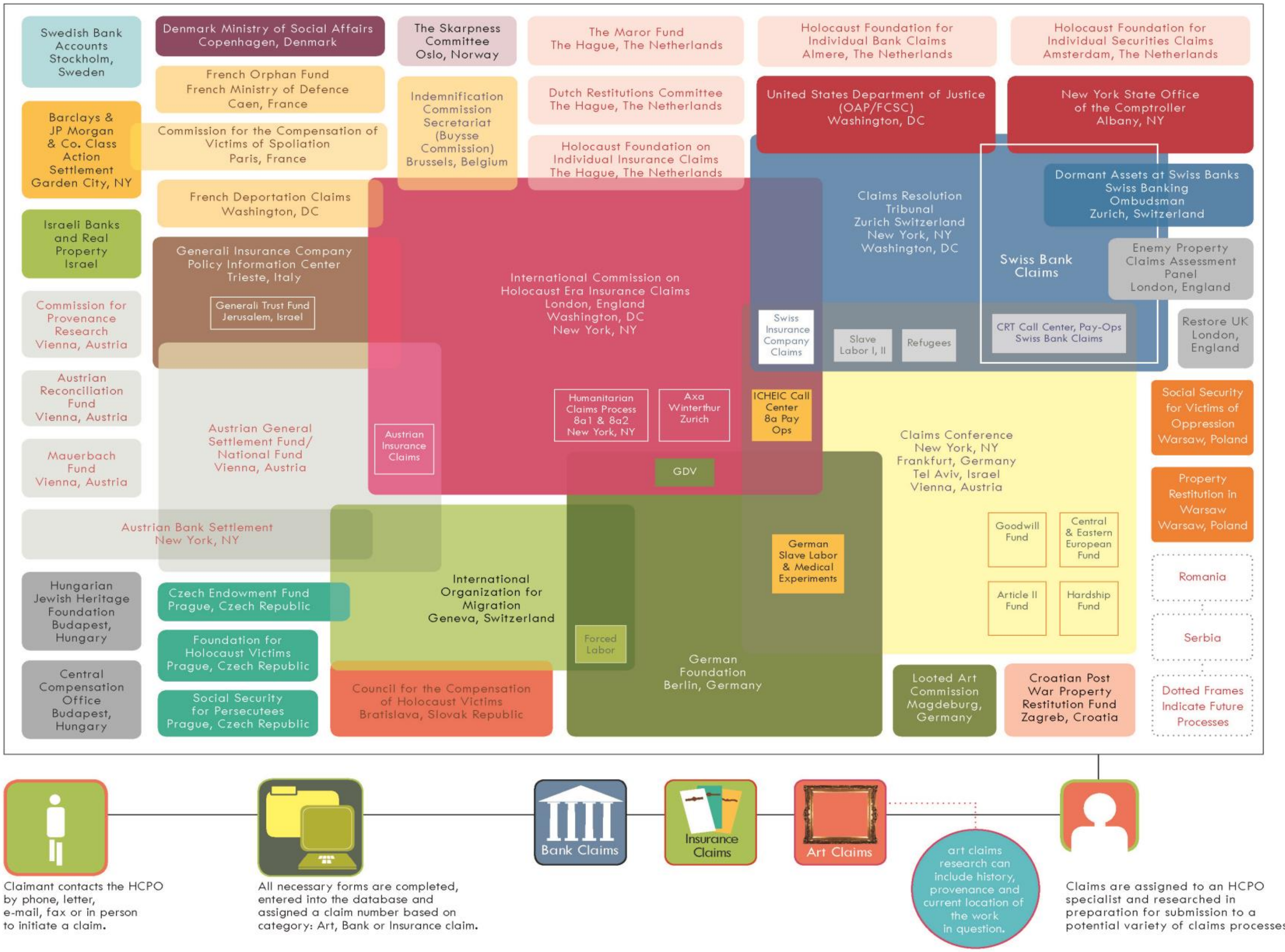
In response to the complex nature of restitution claims, the HCPO has developed a systematic method to handle cases. First, individual claims are assigned to members of the HCPO staff who assist in securing the necessary genealogical and historical documentation to ensure viability of the claim. As claims received by the office range from the partially or even fully documented to the purely anecdotal, the HCPO undertakes claimant-specific research in domestic and international archives as well as public and private repositories to obtain as much data as possible regarding lost assets. The HCPO also conducts general historical research to corroborate and contextualize the information the office shares with claimants, claims processing organizations, companies, institutions and governmental authorities.

Second, the HCPO determines where to file the claim(s) by ascertaining which present-day company or claims process is responsible for the lost asset in question. Third, the HCPO submits claim information to the appropriate companies, authorities, museums, or organizations requesting that a complete and thorough search be made for the specified asset and when applicable, that the lost property be restituted to claimants. To ensure rigorous review of these requests, the HCPO maintains frequent contact with entities to which it submits claims. Claimants may contact the HCPO with questions at any time knowing that they have a committed advocate that will be responsive to their concerns.

Finally, the HCPO reviews the decision rendered on the claim to ensure that it adheres to published processing guidelines and helps claimants understand those guidelines in order to interpret decisions. In the event a claimant wishes to appeal a decision, the HCPO guides claimants through the appeals process and performs additional research when possible. Alternatively, when claimants receive positive decisions that include monetary awards, the HCPO facilitates payment by explaining the necessary forms and following up with the claims entity to ensure payment.

The HCPO continues to work directly with the organizations and processes effectuating Holocaust-related restitution and compensation. *See* Figure 1.

Figure 1 - Compensation Organizations and the HCPO



The HCPO anticipates that victims and their heirs will continue to need its assistance given current conditions and the following recent developments: The Conference on Jewish Material Claims Against Germany recently announced a settlement with the Federal Republic of Germany to offer one-time payments to individuals who fled Nazi Europe through the *Kindertransport* program; the Netherlands' state-operated railway company will establish a commission to compensate Holocaust survivors and their relatives for transporting victims of Nazi persecution; in accordance with a treaty between France and the United States, the U.S. government will begin issuing a second round of payments to eligible claimants for wrongs suffered because of deportation from France during the Holocaust; the claims processing entities in the Czech Republic, France, Germany, Israel, Poland, the Netherlands, and the United Kingdom are still accepting and handling claims; insurance companies continue to review and process claims submitted directly to them; and the Polish government has passed legislation that now enables Polish Holocaust victims who reside outside of Poland to receive pension payments.

As a result, the time required for submitting and processing claims is determined by circumstances beyond the HCPO's control.

Claimant Demographics

In 2018, HCPO received claims from 136 individuals. From its inception through December 31, 2018, the HCPO has received claims from 5,909 individuals from 46 states, the District of Columbia, and 40 countries. *See* Figures 2 and 3.

Figure 2 – International Geographic Distribution of HCPO Claimants
(Areas appearing in color represent countries where HCPO claimants reside.)

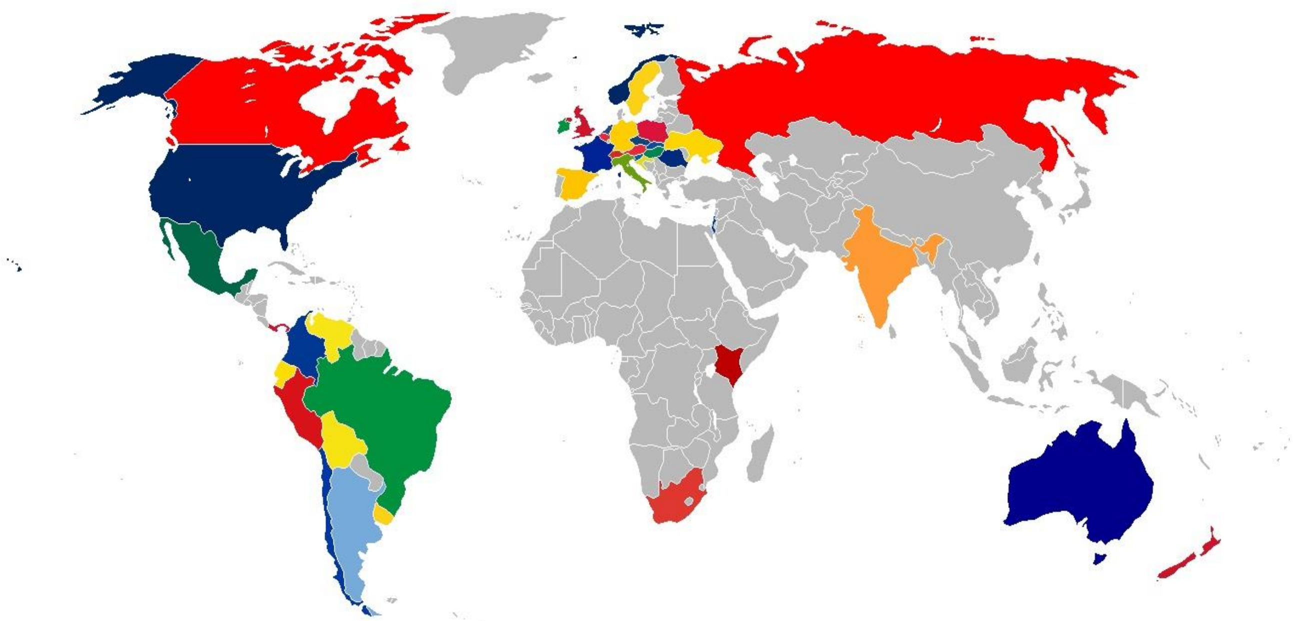
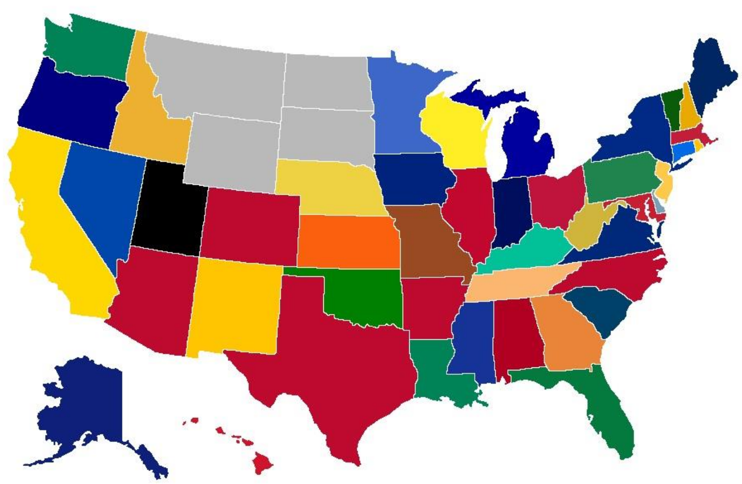


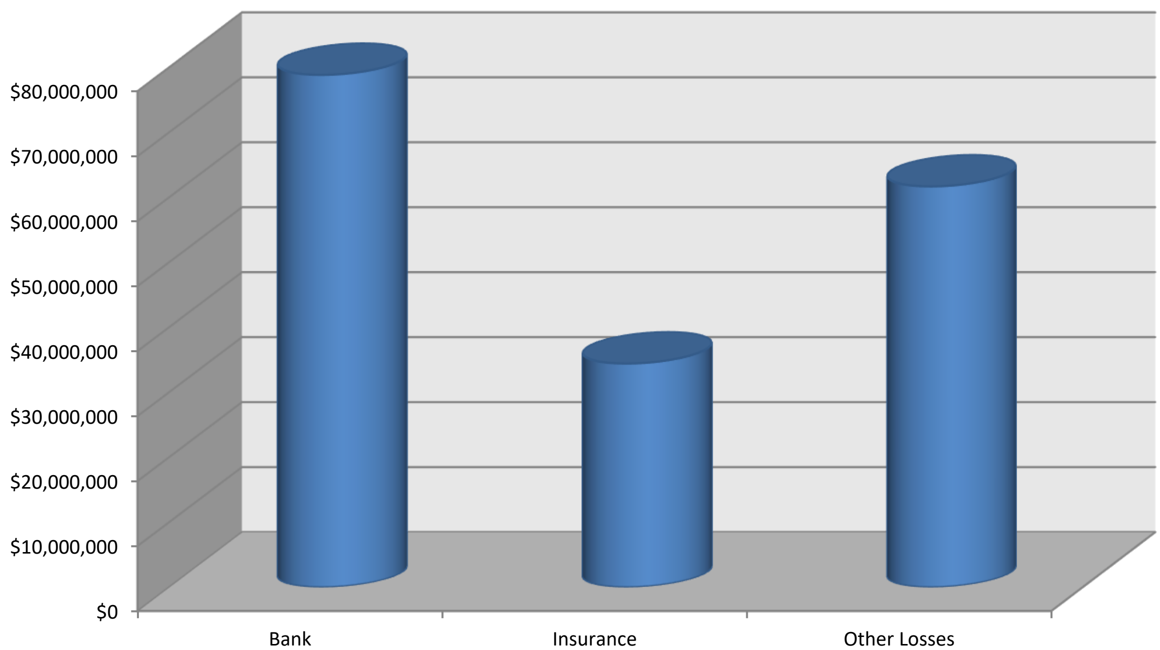
Figure 3 - Domestic Geographic Distribution of HCPO Claimants
(Areas appearing in color represent states where HCPO claimants reside.)



In 2018, HCPO has successfully resolved 627 claims of 111 individuals in which an offer was presented, or the asset deemed non-compensable. [1] In 2018, claimants received $1,317,638 in offers.

In total, the HCPO has successfully resolved 16,082 claims of 5,363 individuals in which an offer was presented, or the asset was deemed non-compensable. To date, the HCPO has secured 8,446 offers; their combined total[2] for bank, insurance, and other losses amounts to $178,247,630. *See* Figure 4.

Figure 4 - Total Offers Extended to HCPO Claimants to Date by Claim Type



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[1] In addition to assisting in obtaining offers of compensation, the HCPO has assisted thousands of Holocaust victims and their heirs obtain resolution of their claims by: demonstrating that the assets sought had been previously compensated via postwar restitution or compensation proceedings that were active from the 1950s through the 1970s, or in some cases, through a present-day claims process; showing that the claimed asset has otherwise been handled appropriately (i.e., in accordance with the original owners' wishes); or confirming that the asset was not lost as a result of Nazi persecution.

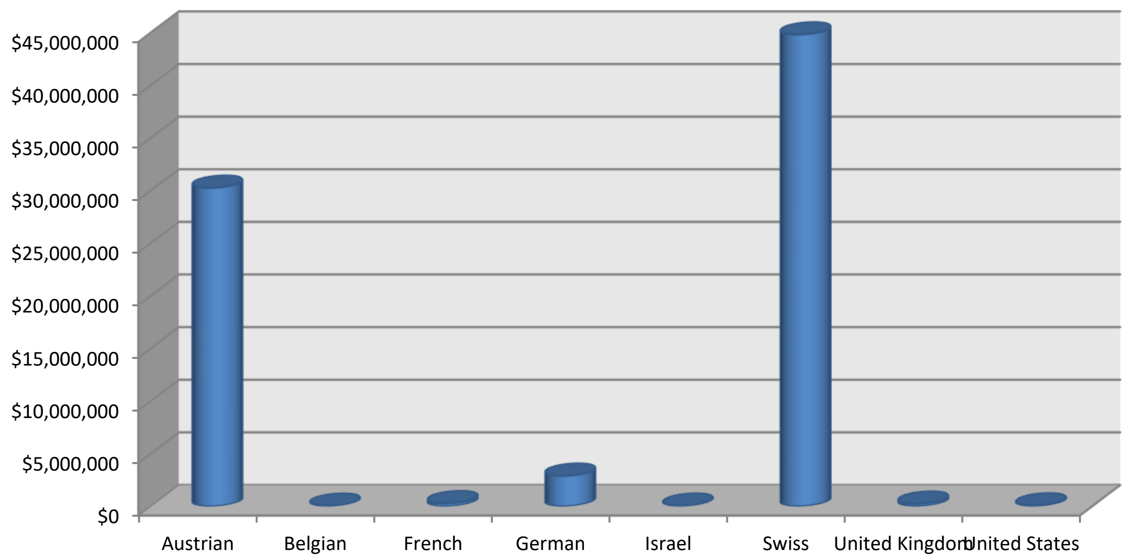
[2] Processes offer victims or heirs monetary compensation calculated on the value of the lost assets. However, the total amount of funds available to a claims agency may be limited and may not allowed for full payment of loss. Thus, the actual payment may be substantially less than the lost asset's value. The amount offered is important as it recognizes the actual loss and guides in determining the amount of payment when full payment is not possible. Therefore, the HCPO reports the amount offered. Sometimes victims do not consider the offer adequate and do not agree to settle. In other cases, the amount offered is the amount paid.

Bank Claims

In 2018, 15 individuals submitted claims for assets deposited in banks relating to 28 individual account-holders. In 2018, HCPO claimants received $30,430 in offers.

Of the claims filed with the HCPO to date, 2,534 individuals (from 42 states, the District of Columbia, and 37 countries) submitted claims for assets deposited in banks relating to 3,918 individual account-holders. The HCPO has secured the settlement or resolution of 6,897 claims where the offer was presented, or the asset was deemed non-compensable. To date, the total dollar value of offers extended to HCPO claimants seeking the return of bank assets is $78,895,467. *See* Figure 5.

Figure 5 - Bank Claims



2018 Highlight:

In 1935, Sylvain Soloman Levy and his wife Erna Levy (née Felsenthall) resided at No. 1, Rue de la Montagne, Sarreguemines (Moselle), France in Saarbrücken region on the German-French border. It was there that their daughter was born. Sylvain earned a living for his family as a *représentant*. With the invasion of Poland, France declared war on Germany, which was followed by the *de facto* annexation of Sarreguemines by the Third Reich. The Levy family fled along with the rest of the population of Sarreguemines and was forced to leave everything behind. They reestablished themselves in Montbron (Charente), where they lived until 1943. In January 1944, before going into hiding, Sylvain and Erna entrusted their daughter to the care of a Catholic nun. In August 1944, the family of three was reunited. They returned to Sarreguemines and lived in a military installation on the outskirts of the town until they immigrated to the United States where their son was born.

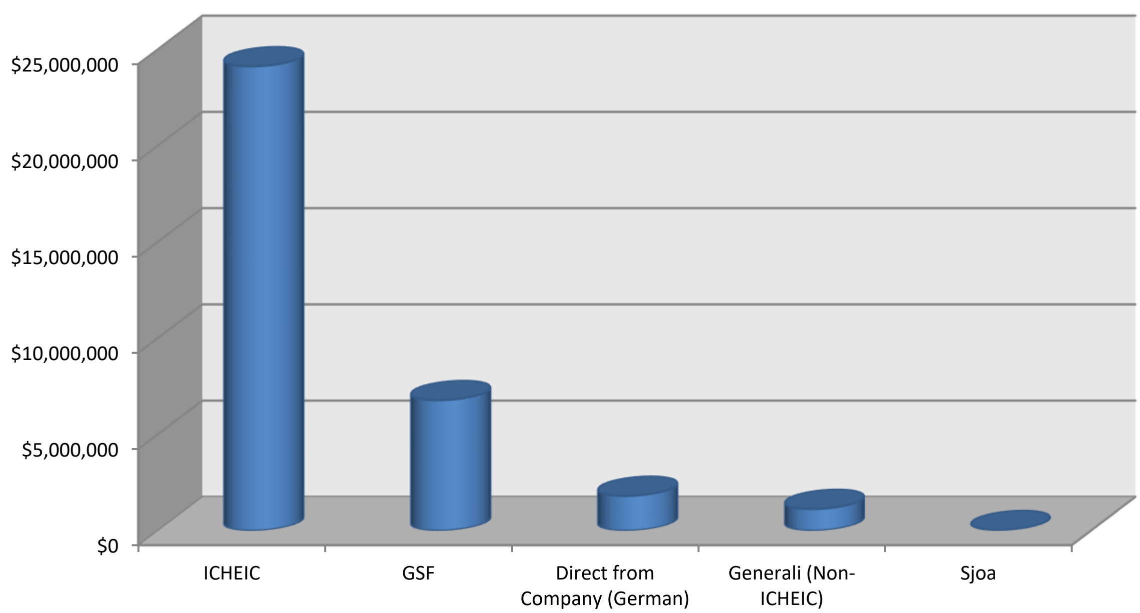
The family originally filed an insurance claim with the HCPO that was unsuccessful; however, after further review, the office determined that the family was eligible to file a bank and material loss claim with the Commission for the Compensation of Victims of Spoliation Resulting from the Anti-Semitic Legislation in Force during the Occupation of the French Republic. The family ultimately received an award for three bank accounts owned by Sylvain Levy.

Insurance Claims

In 2018, five individuals submitted insurance claims relating to 39 individual policyholders. By year-end, HCPO claimants received $181,458 in offers.

To date, 2,462 individuals (from 42 states, the District of Columbia, and 26 countries) have submitted insurance claims relating to 3,763 individual policyholders. The HCPO continues to receive inquiries and claims for unpaid insurance policies. When possible, the HCPO submits such claims directly to successor companies for consideration. The HCPO has secured the settlement or resolution of 6,203 claims where the offer was presented, or the asset was deemed non-compensable. The total dollar value of offers extended to HCPO claimants seeking the proceeds of insurance policies is $34,867,048. *See* Figure 6.

Figure 6 - Insurance Claims



2018 Highlight:
Ludwig Loeb was born on September 26, 1873 in Germany. Loeb was a successful businessman and a factory manager living in Berlin. In 1936, he moved to France where he was eventually arrested and detained in Rivesaltes. He died in 1943.

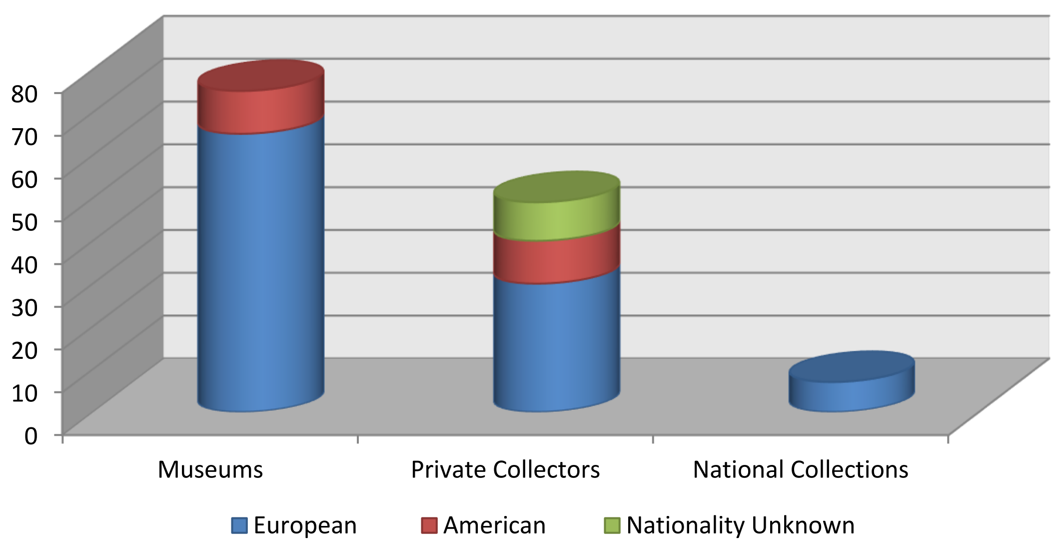
The HCPO submitted an insurance claim for an unspecified policy to the German Insurance Association requesting that the claim be circulated to all relevant member companies. A match was found for an insurance policy issued to Ludwig Loeb by Vita Life Insurance Company in Berlin. Loeb took out the policy in February 1935 as a single premium contract. The policy was intended to mature in 1940. However, the policy had been paid earlier in 1938. As it was not possible to transfer any money to France in 1938, the company assumed that the proceeds from the policy never reached the rightful recipient. The company offered a full settlement of the claim awarding approximately $127,000 to the family.

Art Claims

From 1933 to 1945 the Nazi regime carried out the greatest spoliation of works of art in history. Nazi plundering, which ranged from outright seizure to sales made under duress, was not limited to museum quality pieces but included works by lesser-known artists, decorative arts, musical instruments and composition, and Judaica. Unlike claims for financial assets, claims for Holocaust-era looted art do not lend themselves to centralized settlements. Instead, given the individualized nature of these cases, they require working with a variety of entities and must be resolved on an object-by-object basis.

In 2018, the HCPO coordinated settlements for 11 works of art. To date, the HCPO has accepted 176 art claims (from 19 states, the District of Columbia, and 13 countries) relating to thousands of items with sufficient detail to permit additional research, and has facilitated restitution settlements involving 151 cultural objects from 33 different collections. *See* Figure 7.

Figure 7 - Location of Object at Time of Present-day Discovery



2018 Highlight:
At the end of November, the German Lost Art Foundation hosted a conference to mark the 20th anniversary of the Washington Conference Principles on Nazi-Confiscated Art that were endorsed by the representatives of 44 governments present at the Washington Conference on Holocaust Era Assets. These non-binding principles, intended to help the heirs of Jewish collectors recover their families' Nazi-looted art, serve as the backbone of the HCPO's art restitution efforts.

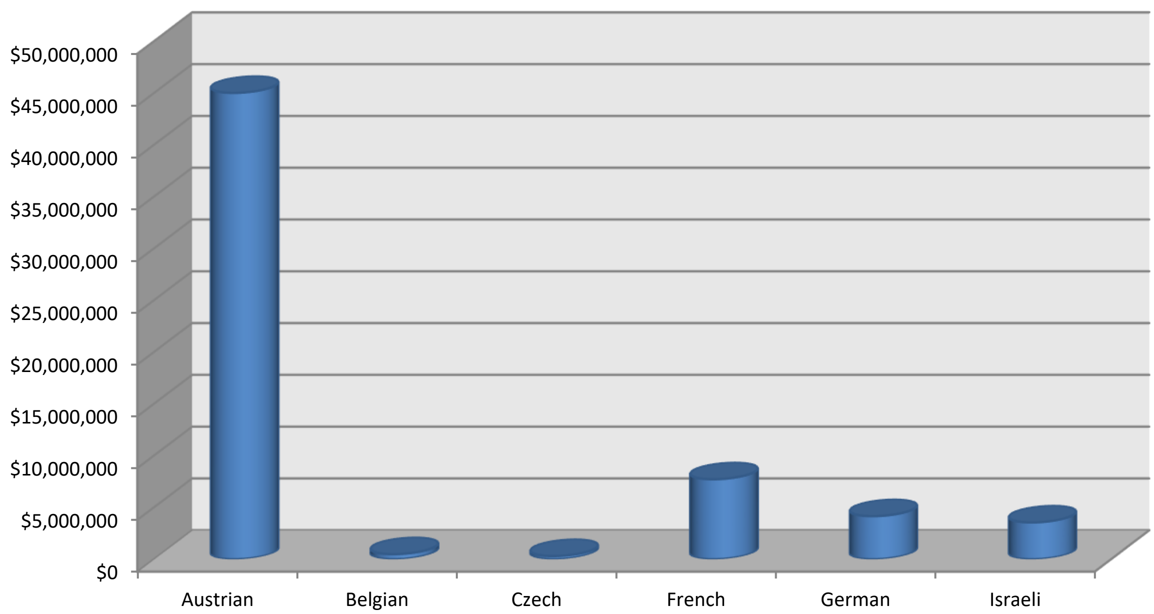
While the public has become more aware of the issues of looted property and the topic has become part of the usual discourse in the art world, many still feel that, after 20 years, efforts to return art lost as a result of Nazi persecution still fall far short of the aspirations laid out in Washington in 1998. Various stakeholders involved in Holocaust era asset restitution matters are focused on improving these critical principles.

Material Losses and Other Claims

Several compensation agencies administering programs covering bank account and/or insurance policy losses also assess claims for material and/or other losses resulting from Nazi persecution. In addition, new programs have recently been established that offer compensation for the atrocities individuals suffered as victims of Nazi persecution. Of the HCPO's claimants, 737 of them (from 34 states and 16 countries) have submitted claims for compensation under material asset, real property loss or other schemes.

In 2018, 114 individuals submitted material loss claims relating to 134 asset holders. In total, HCPO claimants received $1,105,750 in offers in 2018. To date, the HCPO has secured the settlement or resolution of 2,982 claims where the offer was presented, or the asset was deemed non-compensable. The total dollar value of offers extended to HCPO claimants seeking other losses is $64,485,115. *See* Figure 8.

Figure 8 - Other Compensation Claims



2018 Highlight:

When Gustava Singer was just six years old, her mother and extended family perished in Auschwitz. Gustava and her father survived the war, and in 1947 they immigrated to the United States. After years of suffering, Gustava was looking for a fresh start and decided to Americanize her name and unofficially became known as Janet.

In 2017, the HCPO assisted Janet with her application for a Polish Social Security pension for War Veterans and Victims of Oppression of WWII. However, because Janet had unofficially changed her name, the Veterans Office could not confirm that Gustava and Janet were the same person. The HCPO obtained a copy of Janet's petition for naturalization that included both of her first names, and with that in hand, the application process was completed and approved.

III. Annual Expenditures for Calendar Year 2018

The Holocaust Claims Processing Office has a staff of five. The total cost of operating the HCPO during the 2018 calendar year was $752,638, including personal service, fringe and indirect costs, and non-personal service expenditures, as follows:

	Total for Calendar Year 2017
Personal Service	$459,091
Fringe/Indirect	$291,393
Non-Personal Service	$2,155
Total	**$752,638**

NOTES:

Funding: Full costs for the HCPO are borne by the Department of Financial Services.

Fringe/Indirect: Fringe and indirect costs are presented based on the actual payments made. In SFY 2017–18, the fringe rate was 64.12%.

Appendix 2

The Insurance Industry and the Economies of Central and Eastern Europe, 1918-1945

Holocaust Claims Processing Office

New York State Department of Financial Services

March 2012

Table of Contents

Introduction

Nearly seventy years after the beginning of World War II, the fate of unclaimed assets belonging to Holocaust victims and their heirs remains a complex and sometimes fraught issue.

Despite various restitution and compensation programs instituted both in the immediate postwar period and in the aftermath of the fall of the Iron Curtain in 1989, there are still Holocaust victims and their heirs who await a measure of justice and closure. However, estimating the exact number and nature of these unpaid assets is a complex and occasionally controversial task. In light of recent assessments regarding the percentage of insurance policies owned by Holocaust victims that have been subject to restitution and the total value of the remaining unpaid policies,[1] the Holocaust Claims Processing Office (HCPO), a joint venture of the New York State Banking and Insurance Departments, undertook a study of the pre-war life insurance market in Central and Eastern Europe.

This report focuses on the life insurance market, because it is this type of insurance that was, in general, most subject to confiscation and spoliation. Property insurance, which insures against specific risks did not serve as a long-term investment in the way that universal life insurance could and did (property insurance does not act as a savings mechanism and does not attain a cash value). If the insured risk did not occur during the period of the insurance policy's validity, the company did not pay out any sum of money to the policyholder. Thus, the nature of property insurance mitigates against its compensability (i.e. the property insured could be subject to postwar compensation but the insurance on the property was rarely subject to compensation). Moreover, property insurance is not a long-term contract, typically property insurance contracts must be renewed annually or biannually, nor can the damages suffered to property during wartime be attributed specifically to Nazi persecution (in other words, it is almost impossible to state whether a building destroyed when the Germans bombed Rotterdam in 1940 was destroyed because its owners were Jewish), as opposed to life insurance policies that were confiscated from Jewish owners. Finally, almost all property insurance specifically excludes damages suffered in war.

In contrast, life insurance is a cash-value product. At the end of the term of the policy, the company undertakes to pay the policyholder (or his or her heirs) a specific sum of money as stipulated in the original insurance contract. The sums can be relatively small (as with so called "burial" policies which simply provided for the interment of the deceased) or, if they were meant to be savings policies, the face value of the policy might be higher. Moreover, because these policies are "permanent" (i.e. lasting for a lengthy period, typically at least 15-20 years), there was a penalty imposed on the early termination of the contract, and the policies were not considered to be "in force" until the policyholder had paid a stipulated number of premiums (typically three years worth of premiums).

[1] It has been suggested that only 23% of insurance policies purchased by Holocaust victims have been subject to restitution and the value of the remaining 77% of as yet unpaid policies equals $18 billion. Zabludoff, Sidney. "Testimony." House of Representatives Committee on Financial Services. Washington DC. 7 Feb. 2008. http://financialservices.house.gov/hearing110/zabludoff020708.pdf

The following report seeks to contextualize the ongoing debate on the number and present-day value unpaid Holocaust-era life insurance policies by providing an overview of the general economic situation in Central and Eastern Europe between the war. This is followed by a history of the interwar life insurance market in Central and Eastern Europe that draws on both primary sources and recent studies of the market; a snapshot of the market in 1936, which provides data on market share by company and country; as well as an overview of how the Nazis and their allies looted insurance policies and the proceeds of insurance policies. Lastly, the report discusses various national and international compensation programs for Holocaust-era assets.

As will be seen, it is almost impossible to determine how many life insurance policies belonged to people who would later become victims of Nazi persecution, nor is it possible to estimate accurately the number of those policies that remain unpaid today. Take for example the work of the task force[2] established by the International Commission on Holocaust Era Insurance Claims (ICHEIC) to research and report on the estimated value of insurance policies companies had written for Holocaust victims, particularly Jewish customers, and how much of that had not yet been compensated. While the task force was able to reach an accord on (1) the size of the life insurance market in each country; (2) the size of the Jewish population in each country; (3) the rate of participation of the Jewish population in the life insurance market (also known as the *Jewish propensity to insure*); and (4) the average value of Jewish-owned policies, there was dissension on determining how to quantify the proportion and valuation of unpaid policies. Ultimately, the task force reported a range of values for unpaid policies for each country.

Although numerous figures both for the number of unpaid policies and for their value today have been posited, it should be noted that methods that have been used to calculate these figures are highly dependent on (1) the underlying assumptions made by the person doing the calculations and (2) the base value (nominal insured amounts versus direct premium income) used (i.e. if one wished to demonstrate that the value of unpaid policies is very high, then one would choose the method of calculating present-day value that yields the highest amount, whereas if one wished to show that the value is low, the method of valuation would be chosen accordingly) .

To assign a value to the overall market, the HCPO used the industry standard method of calculating market share by using direct premium income, rather than the nominal insured amounts, which would be a departure from practice utilized by both historians and current insurance industry analysts.

Furthermore, when considering how to calculate present-day value weight must be given to the chaotic conditions that pertained in Central and Eastern Europe at the end of

[2] ICHEIC Chairman, former Secretary of State Lawrence Eagleburger, appointed Glenn Pomeroy, former President of the National Association of Insurance Commissioners (NAIC) and Insurance Commissioner of North Dakota, and Philippe Ferras, then Executive Vice-President of AXA, Paris, to head a task force to research and report on the number and value of insurance policies potentially purchased by Holocaust victims. The report of the task force, entitled *The Estimation of Unpaid Holocaust Era Insurance Claims in Germany, Western and Eastern Europe*, can be found on ICHEIC's website at http://www.icheic.org/pdf/Pomeroy-Ferras%20Report.pdf.

World War II. Several countries (most notably Hungary) suffered massive currency devaluations and hyperinflation, and nearly all the prewar currencies in which insurance policies were denominated were either revalued or abolished entirely.

Accordingly, this report does not attempt to assign a value to unpaid policies, but instead focuses on the size of various national markets relative to each other and to the populations of their various countries, and upon the market share of various large or well-known companies in an attempt to show the probable universe of outstanding claims from the period. For example, research on market share during the period reveals that the German domestic market was by far the largest in continental Europe. Eastern European markets were relatively underdeveloped relative to Western European markets, with far lower per capita amounts of insurance, far fewer absolute numbers of policies, and far smaller sums insured. Based on these figures, it seems unlikely that there remain millions of unpaid insurance policies worth billions of dollars belonging to Central and Eastern European Holocaust victims.

Analyzing market share provides a tool to determine the comprehensiveness of restitution efforts both past and present, while studying the size of the market as a whole provides a perspective on the number of potential unpaid Holocaust-era policies, i.e. the smaller the market, the fewer policies overall, and therefore, the fewer policies that potentially remain to be paid today. Unlike the ICHEIC task force which used two base years for Germany (1933 and 1938) and 1938 for other European countries (with the exception of Austria, Czechoslovakia, Hungary, and Poland where 1937 or 1936 are used), the HCPO chose the single year of 1936 as a representative pre-war year. With the exception of Germany, in 1936 none of the countries in the sample had as yet enacted discriminatory legislation. Even in Germany, it was not until the aftermath of the November Pogrom in 1938 that mass repurchase of Jewish life insurance assets occurred. Therefore 1936 provided a baseline as a "normal" year for the prewar industry.

The primary sources used were the *Assekuranz Jahrbuch* and *Assekuranz Kompass*, annual insurance industry periodicals published at the time, which compiled statistics provided by national insurance regulatory agencies. The aggregate premium income for each country was converted into 1936 US dollars (to provide a point of comparison across countries with different currencies) using conversion information from the *League of Nations Statistical Yearbook.*

The Aftermath of World War I

The aftermath of World War I was marked by economic, social and political chaos in Central and Eastern Europe. The dissolution of three empires – the German, Austro-Hungarian and Russian – created new nations (or, in the case of Poland, recreated a nation that had not existed for over a century) and introduced new political systems to these nations, ranging from parliamentary democracies to Lenin's "dictatorship of the proletariat." In addition, economic upheaval, particularly in the countries of the defeated former Central Powers (Germany and Austria-Hungary) went hand in hand with political chaos.

Revolution

For a short period in late 1918 and early 1919, it seemed that Germany and Hungary in particular might follow the example of Bolshevist Russia and descend into civil war.

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In late October and early November 1918, a mutiny by members of the German Navy was followed by the establishment of a "Workers' Soviet" based in Munich. These events precipitated a crisis in Berlin, and on November 9, 1918, the Kaiser abdicated the throne and fled to the Netherlands. Germany was now a Republic, under the new Chancellor Friedrich Ebert, who came from the Social Democratic party (*Sozialdemokratische Partei Deutschlands* – SPD). Two days later, Germany signed the armistice ending its participation in World War I.[1]

In December 1918, the revolutionary movement known as the Spartacists (the survivors of which would later form the German Communist Party (*Kommunistische Partei Deutschlands*–KPD)) attempted to seize central Berlin. Despite its Social Democratic background, Friedrich Ebert's government aligned with the military and with various paramilitary organizations known collectively as the Freikorps to crush the Spartacist revolt. By May 1919, the Munich Soviet and the Spartacist movement in general had been destroyed, and the political situation had quieted. Although the political revolution in Germany was short-lived, its legacy was the further bitter division of political parties in the Weimar Republic.[2]

In Austria as well, the end of the First World War saw the establishment of soldiers' and workers' councils and a revolutionary socialist paramilitary organization called the

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[1] For a brief history of the events surrounding the end of World War I and the abdication of the Kaiser, see Gordon Craig, *Germany, 1866-1945* (New York: Oxford University Press, 1980), p. 396-433.
[2] The Spartacist leaders Karl Liebknecht and Rosa Luxemburg, who had been members of the SPD until 1915 when they left the party because of its support for the First World War, were murdered by units of the German army, under the command of Defense Minister Gustav Noske, also a member of the SPD. The resulting bitterness between the SPD and the KPD would have longstanding consequences; the two left-wing parties were unable to unite even in the face of their common enemy, Nazism, in the late 1920s and early 1930s. Meanwhile, nationalist and right-wing parties saw the SPD as weak and too close to the chaotic elements of the KPD that had tried to foment revolution in Germany. Craig, pp. 407-412.

Volkswehr (citizens' militia) in a variety of major Austrian cities.[3] As in Germany, the Austrian monarchy had been replaced by a republic led by the Social Democratic Party (*Sozialdemokratischen Partei Österreichs* – SPÖ). Despite the attempts of the SPÖ to establish a clear line between its own belief in democracy and the Communists' desire for revolution,[4] the conservative majority outside Vienna remained unconvinced. Private right-wing paramilitary organizations collectively known as the *Heimwehr* (homeland militia) flourished in the provinces of Styria and Carinthia and armed conflict between these units and the *Volkswehr* based in Vienna seemed inevitable until the SPÖ was forced from government in the fall of 1920. Austria's revolutionary moment seemed to have passed, though it would resurface in bloody fashion in 1934.

Although no battles were fought on Hungarian territory, 3.5 million men from Hungary had been conscripted into Austro-Hungarian military during World War I, comprising over 40% of the multinational empire's men under arms. This massive depletion of manpower led to shortages of food, fuel and raw materials, which in turn led to strikes among a war-weary populace that could no longer afford either food or the ability to stay warm.[5]

On November 16, 1918, Hungary declared itself a republic independent of Austria; a second revolution in March 1919 proved a more serious and bloody affair, when the Hungarian Communists under Bélá Kún declared a Hungarian Soviet revolution. The Hungarian Communists banned all other political parties and associations, nationalized most of the economy, including retail businesses; and nationalized the great estates, creating co-operative farms and imposing a compulsory system of agricultural deliveries that alienated the very peasants who had initially welcomed the Communists' radical land reform.

Meanwhile, Hungary, which was still nominally at war, faced territorial incursions by Romania and the new Czechoslovak State as well as by the French army. Romanian forces entered Budapest in the summer of 1919, and on August 1, 1919, forced the Communists to hand power back to the Social Democrats. The short-lived Hungarian Soviet was no more; its leaders fled to Vienna. In November 1919, Admiral Miklos Horthy and the Military High Command effectively took power in Hungary, ending its brief and unsuccessful experiment with democracy. Horthy embarked on a campaign of counter-revolutionary terror (including anti-Semitic pogroms) under the guise of "restoring order."

The short-lived but violent experiences of revolution in Germany, Austria and Hungary in the immediate aftermath of World War I had lasting repercussions for those countries. On the left, the suppression of Communist-led movements by the more center-left Social

[3] The *Volkswehr* eventually had 17,000 members as well as armored units and cannons. Portions of the *Volkswehr* came to be known as "the Red Guard" for their strong Socialist leanings. Ivan T. Berend, *Decades of Crisis: Central and Eastern Europe Before World War II*, (Berkeley and Los Angeles: University of California Press, 2001), p. 135-136

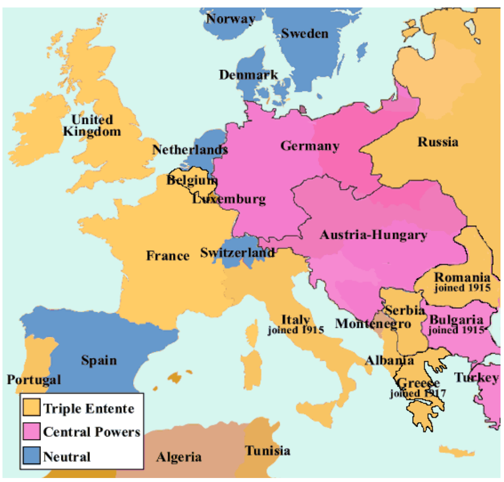
[4] The SPÖ purged Communists from the Volkswehr and on June 15, 1919, socialist armed units arrested 115 communist functionaries in a move to pre-empt revolution. Later, twenty individuals died and eighty were injured when the Volkswehr fired on a crowd demanding the release of the arrested individuals. Berend, *Decades of Crisis*, p. 137.

[5] Moreover, the casualty rates for the Austro-Hungarian army were extremely high – out of eight million men under arms, 12.5% died; 25% were wounded or crippled, and nearly 19% were captured. Ivan T. Berend and Tamas Csato, *Evolution of the Hungarian Economy, 1848-1998, Volume I* (Boulder Colorado: Social Science Monographs: 2001), p. 141-142.

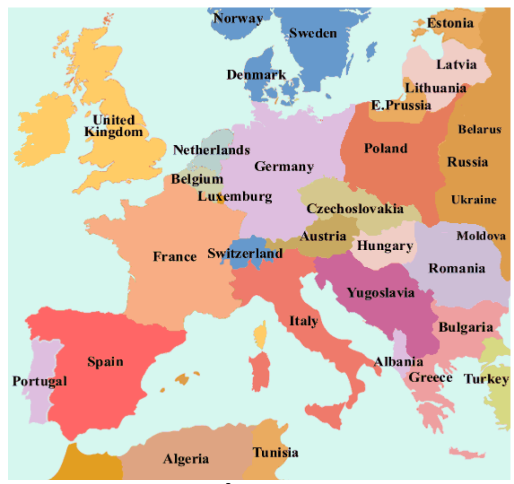
Democrats rankled to the point where the Communists would later refuse to make common cause with Social Democracy against the rise of fascism and nationalism. For those who occupied the right of the political spectrum, in contrast, the near-revolutions raised the horrifying specter of bloody revolution and perpetual class warfare, which they blamed not merely on the radical left, but on the more moderate Social Democrats and on the very institutions of democracy.

Reparations: The "Carthaginian" Peace

Although the Treaties of Versailles, Saint-Germain-en-Laye and the Trianon were certainly not the sole reason for the rise of right-wing extremism in central Europe, the territorial and economic losses suffered by Germany, Austria and Hungary certainly gave ammunition to extremist political parties during the 1930s.



Map 1 – Europe 1914



Map 2 – Europe 1919[6]

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Problems arose almost immediately both from the expectations of the defeated Germans and from the conflicting aims of the major Allied powers (the United Kingdom, France and the United States[7]) present at Versailles.

On May 7, 1919, the Germans were presented with the 440 Articles (along with assorted Annexes) and given three weeks to respond. Under the terms of the Treaty,

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[6] Europe 1914 and Europe 1919. Maps.
http://www.nationalarchives.gov.uk/pathways/firstworldwar/maps/europe1914.htm
http://www.nationalarchives.gov.uk/pathways/firstworldwar/maps/europe1919.htm.

[7] Although Russia had, of course, been one of the major Allied powers in 1914, the Russians were excluded from the postwar settlements, by virtue of their separate arrangements with the Central Powers (Germany and Austria-Hungary) under the March 1918 Treaty of Brest-Litovsk.

Germany was stripped of large swathes of territory, and forbidden from reconstituting its army.[8]

The most contentious issue of all, however, was that of reparations; the Germans were required to "accept the responsibility of Germany and her allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her allies"[9] and as the aggressors, the Germans were required to pay for the economic damages caused by four years of war.

The financial advisors of the Allied governments recognized that Germany would not be able to meet its obligations by transferring gold, since the gold reserves of the Reichsbank were hopelessly inadequate to meet the expected reparations payments.[10] Thus, it was agreed that part of the reparations payments would be made in kind, particularly in coal (plus timber, chemicals and other goods). The coal requirement proved to be the bitterest pill of all, and indeed, a few years later, French demands for coal would touch off the events that culminated in hyperinflation.

Political opposition to the Versailles Treaty extended across the political spectrum in Germany; the treaty was seen as humiliating and the reparations sums demanded as so vast that they would be impossible to pay off.[11]

* * *

On September 10, 1919, the new Republic of Austria signed the Treaty of Saint-Germain-en-Laye with the victorious Allied powers; the treaty dissolved the Austro-Hungarian Empire, and the new Austrian Republic recognized the independence of Hungary, Czechoslovakia, Poland and the Kingdom of Yugoslavia, ceded Istria, the Southern Tyrol and the city of Trieste to Italy, and the province of Bukovina to Romania.

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[8] Germany lost around 13.5% of its 1914 territory (or around seven million inhabitants) as well as all of its overseas possessions. Alsace-Lorraine, which had been taken from France in the aftermath of the Franco-Prussian War (1870-1871) was returned to France, and Belgium was given the formerly German border areas of Eupen and Malmedy, while the Sudetenland and areas of German-controlled Silesia were given to the newly established states of Czechoslovakia and Poland. The important Baltic ports of Danzig and Memel (Klaipeda) were given special status, with Danzig designated as a "free city" whose external affairs would be administered by Poland, while Memel was to be ruled by the Entente Powers (though in 1923, Lithuania wrested control of the city over which it retained sovereignty until March 1939, when the German Army entered the city and incorporated it back into the Reich.) The German army was limited to a maximum of 100,000 men, and a ban placed upon the use of heavy artillery, gas, tanks and aircraft. The German navy was similarly restricted to shipping under 10,000 tons, with a ban on submarines. Thanks to the treaties of Versailles and St. Germain-en-Laye, German speakers became the largest minority population in Europe after World War I. There were 1.2 million German speakers in Poland and an astounding 3.5 million in Czechoslovakia out of a total population of circa 13 million (i.e. around 26% percent of the 1920 population of Czechoslovakia was German-speaking). Mark Mazower, *Hitler's Empire* (New York: Penguin, 2008), p. 33.

[9] Article 231 of the Versailles Treaty.

[10] An Allied Reparations Commission determined the total reparations to be paid by Germany and presented the final bill of 132 billion gold marks in 1921. Charles Maier, *Recasting Bourgeois Europe* (Princeton University Press, 1975), pp. 237-239.

[11] Germany will not complete its payments of reparations from World War I until the year 2020 (although this is at least in part due to the Nazis' suspension of payments altogether.) Jörg Friedrich, "Von Deutschen Schulden", *Berliner Zeitung,* October 9, 1999.

The Republic of Austria was left with a population of 6.5 million (compared to 50 million population of the Austro-Hungarian Empire in 1913).

The treaty further forbade any political or economic union with Germany without the approval of the Council of the League of Nations. The size of the Austrian army was limited to 30,000 volunteers. In addition, Austria was forced to acknowledge its responsibility (and that of its ally, Germany) in beginning the war, and to pay reparations to the Allied powers, though the exact details of the reparations agreements were left vague.

* * *

The Treaty of Trianon, signed on June 4, 1920, stripped Hungary of over 60% of its territories (compared to the old Kingdom of Hungary), and reduced its population from over 20 million to 7.6 million.[12] In addition, the treaty created large Hungarian minority populations in territories contiguous to the new Hungarian state; irredentism on behalf of these minorities would mar Hungary's relations with her neighbors until 1945. The loss of so much territory had radical consequences for the Hungarian economy, which lost thousands of acres of arable farmland and timber.

* * *

Public opinion in Austria, Hungary and Germany was resentful against both the Allied powers that had imposed the humiliating conditions of the peace treaties as well as, in the case of Austria and Germany, against the center-left governments that had been forced to sign the treaties.

Hyperinflation

During World War I, the Germans (and the Austro-Hungarians) had turned to the printing press, choosing to finance their immense war effort through loans, rather than through taxes. The Reichstag had permitted the wartime suspension of legal restrictions against the circulation of notes not backed by gold, and by the end of World War I, the amount of currency in circulation in Germany had quintupled.[13]

In May 1921, the Reparations Commission[14] set the figure for total German reparations at 132 billion gold marks,[15] of which 1 billion gold marks ($250 million at the time) was to be paid within twenty-five days, leading to a further slide in the value of the German mark.

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[12] Berend and Csato, p. 146.

[13] Gordon Craig, *Germany, 1866-1945* (New York: Oxford University Press, 1978), p. 435.

[14] An Inter-Allied Commission established under Article 233 of the Treaty of Versailles to determine the amount of reparations owed by Germany.

[15] The debt would be divided into three sets of bonds given to the Allies by the Germans: the first set, valued at 12 billion gold marks, was due on July 1, 1921; the second, valued at 38 billion gold marks, would be due on November 1, 1921. Between May and November 1921, the mark declined from 60 to 310 to the dollar. Ibid, p. 440.

On January 11, 1923, French and Belgian troops moved into the Ruhr region after the Reparations Commission declared Germany in default of its obligations to ship coal and timber reparations to Belgium and France. The German Chancellor, Friedrich Ebert, insisted Germany would not yield to this open show of force; in a display of unity unusual during the Weimar Republic, all German political parties, the trade unions, and the press were unanimous in their support of passive resistance to the French occupation.[16]

The government in Berlin pledged to pay the factory workers and miners who went on strike against the French; with its gold reserves tied up in reparations payments, the only way the German government could fulfill its pledges was to print more paper money, and this the German government did with gusto, pushing inflation higher and higher.

Between July 1914 and November 1923, the German mark lost **1 trillion** times its value. Salaries, paid twice a day, had to be collected in wheelbarrows. A loaf of bread cost 165 billion marks, up from 30,000 marks in August 1923;[17] the 1890 price of a villa bought a postage stamp in 1923.[18]

Date	German Mark equivalent of 1 USD
July 1914	4.2 RM
January 1920	64.8 RM
January 1923	17,972 RM
September 1923	98,860,000
October 1923	25,260,208,000
November 15, 1923	4,200,000,000,000

Table 1 – The Course of Hyperinflation in Germany, 1914-1923

There were some individuals who benefitted from the rampant inflation (currency speculators, farmers, those in the export business, and entrepreneurs who could borrow to expand their firms). However, hyperinflation was catastrophic for the pre-World War I middle-class; pensioners, shopkeepers, and all those Germans who had responded to patriotic appeals and invested in war bonds, saw their incomes melt away. In some ways, the working class suffered greatly as well, because real wages slid so rapidly during the inflation and the trade union treasuries were emptied by the fall of the mark's value.

Although the experience of hyperinflation is frequently blamed for the accession of the Nazis to power, this formulation is somewhat simplistic. Certainly, some middle-class voters who had lost their savings distrusted the democratic state that had presided over hyperinflation and voted for the radical right; however, farmers, who had, as a group, made gains during the inflationary period, also voted for the Nazis.

In fact, the experience of hyperinflation influenced politics more indirectly, through the way it affected the economic and fiscal policy decisions of successive German

[16] Charles Maier, *Recasting Bourgeois Europe,* (Princeton: Princeton University press, 1975), pp. 356-364.
[17] Maier, pp. 378-379.
[18] Craig, *Germany*, p. 451.

governments during the Great Depression. Hyperinflation wiped out the capital of German (and Austrian) banks, which would contribute to the bank failures of the early 1930s; the collective memory of inflation helped to fuel the runs on national currencies triggered by bank failures. Moreover, the experience of hyperinflation created a fear of inflationary government spending during the Great Depression, ensuring that democratically elected governments in Germany and Austria failed to create demand through government spending and clung to their ultimately disastrous deflationary policies.

* * *

As in Germany, the long difficult years of the First World War brought about shortages of every commodity, exhaustion and general economic chaos to the former Austro-Hungarian Empire.[19] Like the Germans, the Austro-Hungarian government had financed its war effort through the circulation of paper money unbacked by gold. In 1913, there were 3 billion paper crowns in circulation; by 1918, the figure stood at 4.3 billion, and by 1922, at 4,400 billion.[20] By September 1923, price levels in Austria were 14,153 times higher than in 1913.[21]

Similar inflationary pressures affected the Hungarian economy. By the summer of 1919, the value of the Hungarian crown had declined by 85%.[22] Although the Hungarian currency was no longer tied to the Austro-Hungarian Central Bank (which closed in the summer of 1921), the new Hungarian central bank continued to issue banknotes, in part because the state was providing extremely cheap loans to private business in an attempt to help the Hungarian economy recover from the devastation of the war.[23] By May 1924, nominal prices had risen to 23,000 times their pre-1914 levels.[24] Although hyperinflation in Hungary did benefit some (chiefly those who had outstanding mortgage debts on real estate, which helped to increase agricultural production, and some branches of industry, such as textiles), it dealt a devastating blow to those in the middle class who relied on fixed incomes.

Poland was the third successor state of the Austro-Hungarian Empire to suffer a postwar hyperinflation. The territory of the new state had endured multiple occupations by different sides in the war, and some of the most destructive battles of the Eastern front, with concomitant destruction of such vital underpinnings of the economy such as railway lines and rolling stock, as well as livestock, homes, and forests. Poland's precarious financial situation was exacerbated by the fact that there were multiple different currencies in circulation: German marks, Austrian crowns, Russian rubles issued by the Tsarist regime and its successors which were embroiled in a vicious civil war as well as Poland's own newly created currency (the Polish mark). From the end of World War I until December

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[19] Agricultural production declined by 50%; shortages of fuel and raw materials occurred in every industry. In the winter of 1918, daily rations of bread and flour amounted to no more than 150 grams. Berend, *Decades of Crisis*, p. 224.
[20] Berend, *Decades of Crisis,* p. 225.
[21] Aurel Schubert, *The Creditanstalt Crisis of 1931* (Cambridge University Press: New York, 1991), p. 49.
[22] Berend, *Decades of Crisis,* p. 225.
[23] Berend and Csato, p. 163. In 1919, agricultural output, the main branch of the Hungarian economy, had fallen to one-third of pre-war levels, and industrial production was only at 15-20% of 1913 levels.
[24] Berend, *Decades of Crisis,* p. 225.

1919, the amount of paper currency in circulation in Poland increased by 3500%; prices in 1924 were 2.5 million times than they had been in 1913.

The Interwar Years

Stabilization

John Maynard Keynes had argued that "the only safeguard against revolution in Central Europe..." was economic stability and prosperity, so that "even to the minds of men who are desperate, Revolution offers no prospect of improvement whatever."[1] The events of the early 1920s in Central Europe were a sharp reminder that economic chaos had been the handmaiden of revolutions in the past. In order to defuse a clearly untenable situation and to ensure that Germany eventually resumed reparation payments, American Charles Dawes[2] was appointed by the Allied Reparations Commission to chair a ten-member panel whose task was to solve Germany's monetary woes in a fashion acceptable to all parties.

The Dawes Plan, which was accepted in August 1924, ended the French occupation of the Ruhr.[3] The framers hoped that the plan would encourage the extension of new credit to Germany and that the expected consequent growth of the German economy would benefit Germany's creditors and those countries to which it still owed reparations.[4]

Although the stabilization plan and the German Foreign Minister Stresemann both met a harsh reception in the Reichstag, the plan eventually passed in the Reichstag by a narrow majority. On November 15, 1923, the Rentenmark, intended as an interim currency to stabilize the economy was introduced at the rate of one trillion paper marks to one Rentenmark. The inflation was over. On August 30, 1924, the Reichsmark became the new legal tender, at a one to one conversion from the Rentenmark. The Reichsmark was pegged at the German mark's pre-war exchange rate against the dollar (1 US dollar equaled 4.2 Reichsmarks).

The Dawes Plan indubitably provided short-term economic benefits to Germany by stabilizing the currency and bringing increased foreign investment and credit to the German market; however, in essence it created a circular system by which the United States provided loans that enabled Germany to meet its reparations obligations. In turn the funds acquired by France and Great Britain from the Germans were used to pay back the United States for war loans.[5] The United States used those funds again to provide credit back to Germany and so the cycle continued.

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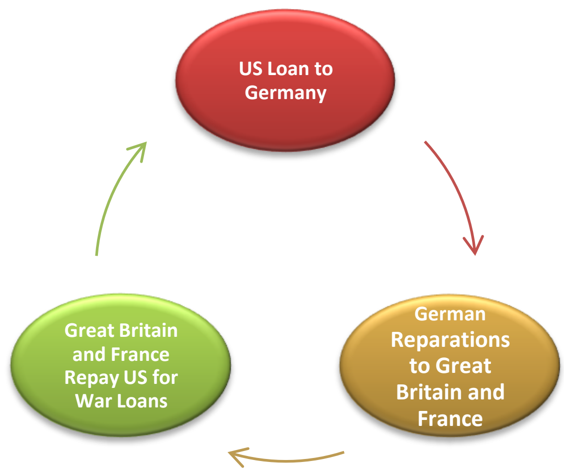
[1] John Maynard Keynes, *The Economic Consequences of the Peace*, (New York: Harcourt, Brace and Howe1 1920), p. 296.

[2] Dawes was a former Comptroller of the Currency, the first Director of the Budget Bureau and would serve as Vice President to Calvin Coolidge. He received the Nobel Peace Prize for his work on the eponymous Dawes Commission.

[3] The Dawes plan, among other points, confirmed that sanctions such as the French occupation of the Ruhr could only be applied in the case of arbitrators declaring a flagrant default of Germany's obligations. It also reaffirmed the payment of reparations by Germany though the annual payment was scaled back, beginning at one billion marks during the first year, and increasing to two and a half billion per year over four years. Moreover, the Germans were required to give pledges of future payments in the form of mortgages on their railway plant and the income from German import and excise taxes. Gordon Craig, *Germany, 1866-1945,* (New York: Oxford University Press, 1980), pp. 514-515.

[4] Based on German complaints that the reparations burden was too onerous, the Young Plan of 1929 renegotiated reparations payments yet again.

[5] Wartime and postwar loans extended by the United States to the Allied powers of Europe amounted to over $11 billion by 1922. Felix Gilbert, and David C. Large. *The End of the European Era, 1890 to the Present*. 4th ed. New York: W.W. Norton & Co., 1991. 148.



Like Germany, Austria and Hungary were only able to stabilize their currencies with outside help. Both countries received massive loans from the League of Nations and introduced new currencies in the mid-1920s. In December 1924, Austria adopted a new gold-based currency, the schilling, at the rate of 10,000 paper crowns to the schilling; Hungary followed suit in 1926, with the introduction of the gold-based pengö, at the rate of 12,500 paper crowns to the pengö.[6]

At first, Poland attempted to stabilize its currency using only internal resources. A new currency, the zloty, was introduced in 1924; the old Polish mark was withdrawn from the market at a rate of one new zloty to 1,800,000 Polish marks.[7] However, the zloty was overvalued against gold and Poland was unable to break the inflationary cycle. It was only with the help of American loans that the zloty was finally stabilized in 1926.

Country	Stabilization Date	Percentage of Prewar Value
Austria	1922	New Currency
Bulgaria	1924 (1928)	3.7
Czechoslovakia	1923	14.3
Estonia	1924 (1927)	1.1
Germany	1923 (1924)	New Currency
Hungary	1924	New Currency
Latvia	1921	0.8
Poland	1926 (1927)	New Currency
Romania	1927 (1929)	3.0
Yugoslavia	1925 (1931)	9.1

Table 1 - Dates and Levels at which Currencies Stabilized[8]

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[6] League of Nations, *International Statistical Yearbook,* (Geneva: 1926), p. 169.
[7] Prewar of Governors of the Federal Reserve System, "New Banks of Issue in Poland and Hungary," *Federal Reserve Bulletin* 10 (1924): 486.
[8] Dates of actual stabilization are noted parenthetically when they differ from the date government action was taken. In addition, while Poland had initially stabilized the gold value of the zloty in 1924 it was forced to make subsequent adjustments. League of Nations, *The Course and Control of Inflation: a Review of Monetary Experiences in Europe After the First World War,* (Geneva: 1946).

Growth

In general, the mid-to-late 1920s were a period of relative calm and moderate economic growth for most European countries.[9]

Structurally, the German economy in the 1920s was marked by high degree of industrial concentration and export dependency. The former was exemplified by the formations of the giant chemical trust I.G. Farben in 1925 and the steel combine Vereignite Stahlwerke in 1926.[10] In contrast to the United States, where vertical integration was seen as inhibiting the free functioning of the market[11] the German government welcomed industrial concentration. So-called "organized capitalism" and huge industrial trusts were viewed as stabilizing forces that could impose order and rationality onto the uncertainties of market capitalism.[12] This type of industrial concentration was not confined to manufacturing; the insurance industry also underwent a process of consolidation and concentration during the 1920s, as demonstrated by the rise of Allianz.

Over the course of the 1920s, Allianz, which did not have a life insurance branch and accounted only for 2.3% of the German insurance industry's 2 billion marks in premiums in 1913,[13] became by far the largest insurance company in Germany in almost every branch of the industry.

In 1921, Allianz and Münchner Rückversicherung (Munich Reinsurance – Munich Re) concluded a contract that would restructure the German insurance industry, and deepen the relationship between the two companies. In essence, Allianz and Munich Re agreed not to compete directly with one another; Allianz agreed to restrict itself to direct business while Munich Re agreed to participate in the amount of 50% in the foundation by Allianz of new companies, capital share participations and security accounts. In 1922, Allianz became a concern: a conglomeration of companies with a central headquarters in Berlin. For the first time, the company entered the life insurance business, forming Allianz Lebensversicherunsbank AG in Berlin with a capital of 20 million marks.[14]

In the following year, Allianz took over six more companies, although the greatest merger of the insurance business in the 1920s was that between Allianz and Stuttgarter Versicherung in October 1927. The creation of the new company, Allianz and Stuttgarter Verein was approved by the boards of both participants in early November 1928. In one move, the creation of Allianz und Stuttgarter Lebensversicherungsbank AG increased

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[9] In Germany, for example, growth rates between 1925 and 1929 averaged 5% in the metal industry, 6.0% in mining, 8.8% in the chemical industry. Even the textile and leather industries, which grew far more slowly than other industries, experienced a short lived boom, with peak production in 1927. Harold James, *The German Slump: Politics and Economics, 1924-1936* (New York: Oxford University Press, 1987), pp. 115.

[10] Other established firms like the GHH (Gutehoffnungshütte), Thyssen and Krupp expanded into new sectors like mechanical engineering, wire production, and the shipbuilding trade. In this way, enterprises based on more static industries such as steel-production were able to participate in more dynamic industries like engineering. James, p. 119. This type of industrial concentration was not confined to manufacturing
industries; the insurance industry in particular also underwent a process of consolidation and concentration during the 1920s.

[11] Trust-busting rhetoric was a timeless feature of the American political scene from the time of Theodore Roosevelt.

[12] For example, in 1929, Vestag controlled 43% of crude steel production in Germany. James, pp. 121-122.

[13] Gerald Feldman, *Allianz and the German Insurance Business, 1933-1945,* (New York: Cambridge University Press, 2001), p. 3.

[14] In 1927, the company was renamed Allianz und. Stuttgarter Lebensversicherungsbank AG in 1927 and again in 1940 its name was changed to Allianz Lebensversicherungs AG. Feldman, *Allianz and the German Insurance Business*, p. 11.

Allianz's share capital in the life insurance business from 6 to 20 million RM. The new concern was by far the largest in Germany.

In 1927, Allianz Leben accounted for 15.6% of the sums collected by fifty-five life insurance companies; in 1930, it received 18.7% of premiums collected by fifty-three life-insurance companies.[15] Allianz Leben was moreover, not the only life insurance company in the Allianz concern.

By the mid-1920s, Allianz, Victoria zu Berlin, Gerling, and Frankfurter Allgemeine Versicherung (Favag) controlled the lion's share of the German life insurance industry, with Allianz far ahead of the other companies. Allianz's final consolidation came with its "rescue" of the troubled Favag company in 1929.[16]

In addition to industrial concentration, German businessmen saw building exports as the key to avoiding the risks of dependence solely on domestic markets. German steel, coal, and fabrics were all exported; in the late 1920s, for example, 55% of I.G. Farben's sales were abroad.[17] Even in 1933, at the height of the Great Depression, German companies like AEG and Siemens und Halske exported approximately 40% of their products.[18]

Meanwhile, the political calculus of the government was also export-friendly, as Germany required export surpluses in order to service its growing foreign debt and pay the reparations it owed. Underlying the government's export policy was also the belief that if creditor nations like Britain faced increasing competition from German exports, the British government might reconsider its stance on reparations, calculating that the bill was too high both for Germany and domestic industries in the United Kingdom. Weimar Germany established a number of programs to assist with foreign trade, such as state export insurance through the newly created Hermes insurance corporation, and export credits issued by the Deutsche Golddiskontbank, a subsidiary of the Reichsbank.[19]

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[15] Feldman, *Allianz and the German Insurance Business*, p. 31.

[16] Favag had undergone a period of rapid expansion during the 1920s, using its extensive international transport insurance business to gain hard currency. By 1929, Favag was second only to Allianz among German private insurance companies. However, Favag's expansion came at the cost of risky financial activities. The company began to provide credit insurance and even extend guarantees and credits into activities that had nothing to do with insurance. Many of these activities never showed up on the account books, and were conducted by the directors of the enterprise personally. In the end, the Favag had contracted some 63,9 million RM worth of debts to domestic creditors and 35.6 million RM to foreign creditors.

On August 17, 1929, Favag announced that it would cease payments to its creditors. Three days later, Allianz took over its direct insurance business, which protected policyholders, although the member companies of the Favag concern maintained their nominal independence. The lawsuits and criminal trials resulting from the Favag collapse lasted well into the 1930s and were only finally resolved in 1932, when several of the Favag prewar members were sentenced to prison. However, Favag's failures were clearly also the failures of the Reich Supervisory Prewar for Insurance, which had turned a blind eye to risky business practices by Favag and failed to follow through on the rare occasions when it had protested the Favag's actions.

The Favag collapse was an ominous foreshadowing of the Central European banking crises of the summer of1931. The company had made excessively risky investments on the personal say-so of important members of the concern; it was undercapitalized as a result of the hyperinflation; and its dependence on foreign investment weakened its position. Gerald Feldman "Insurance Company Collapses in the World Economic Crisis: The Frankfurter Allgemeine Versicherungs-AG (Favag) and the Austrian Phoenix," Harold James, ed., *The Interwar Depression in an International Context* (Munich: Oldenbourg, 2002).

[17] James, p. 122.

[18] James, p. 122-123.

[19] James, pp, 120-121.

In sum, then, the German economy of the 1920s was characterized by a high degree of industrial concentration, export dependency, and dependence on bank loans (including, fatefully, short-term foreign loans) for industrial investment.

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Unlike the other countries formed out of the wreckage of the Austro-Hungarian Empire, the new Czechoslovak Republic managed to escape the worst of the postwar economic and political turmoil that afflicted its neighbors, experiencing only a relatively mild and short-live period of inflation in the immediate aftermath of World War I. This was perhaps partially a result of the leaders of the new state distancing themselves as far as possible, both economically and politically, from Vienna and Budapest.[20]

The dynamic economic policies of the new Czechoslovak state paid off: in contrast to the economic and political chaos experienced by Austria, Hungary and Germany during the period, Czechoslovakia seemed an island of stability. Capital flowed into the country from Western Europe; by 1937, foreign investment constituted 27% of the total capital of Czechoslovak industry and banks. Over fifty percent of that capital came from the United Kingdom and France, while Czechoslovakia's old imperial hegemon, Austria, provided only 19% of foreign investment.[21]

Moreover, the Czechoslovak state, unlike the new Austrian Republic, did not amass a particularly large foreign debt. As a consequence, until 1929, Czechoslovak economic development was stronger than that of Austria.[22] Nevertheless, a disproportionate focus on light industry[23] and food production and Czechoslovakia's export dependency[24] provided a few troubling structural features of the interwar economy.

Farther east, the countries of Southeastern Europe, Hungary and Poland remained largely dependent on agricultural production, which remained technically backward and labor intensive.[25] State policies of land reform in Eastern Europe failed to stimulate technical improvements in agriculture or increase agricultural productivity even during the relative boom years of the 1920s.

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[20] The first item of business was to separate Czechoslovak currency from the old Austro-Hungarian crowns; second, the new state supported the transfer of stock ownership from Austrian, Hungarian and German hands to domestic or Western European owners; third, the state adopted land reforms that transferred land ownership from the Habsburg aristocracy (primarily based outside Czechoslovakia) to Czechoslovak citizens; and lastly, Czechoslovak economic policy focused on finding new export markets so that the focus of trade shifted from Austria and Germany to Western Europe. Victor Prucha, "Continuity and Discontinuity in the Economic Development of Czechoslovakia, 1918-91" (in Alice Teichova, ed., *Central Europe in the Twentieth Century: An Economic History Perspective* (Aldershot: Ashgate, 1997), pp. 22-23.

[21] Alice Teichova, Wirtschaftsgeschichte der Tschechoslowakei, 1918-1980, p. 41.

[22] Czechoslovakia's 1929 GNP was 52% higher than the region's 1913 GNP, while Austria's 1929 GNP was only 5% greater than its GNP in 1913. Prucha, p. 25.

[23] In 1930, 69% of all Czechoslovak industrial enterprises employed fewer than 20 individuals; and a further 17% employed between 21 and 50 individuals. Teichova, p. 39.

[24] Some portions of the Czechoslovak light industry sector exported 80-95% of their output. Prucha, p. 24

[25] In Hungary, in 1930, 54% of the economically active population was engaged in agriculture, in contrast to 23% engaged in manufacturing. In Poland, 65% of the workforce was engaged in agricultural activities, as opposed 16% active in manufacturing; and in Yugoslavia and Romania, almost 80% of the workforce was devoted to agriculture. Alice Teichova, "Eastern Europe in Transition: Economic Development during the Interwar and Postwar Period" in Alice Teichova, ed., *Central Europe in the Twentieth Century: An Economic History Perspective* (Aldershot: Ashgate, 1997, p. 8.

In order to reduce dependence on foreign imports for agricultural goods, the countries of Eastern Europe introduced export-substituting industrialization (i.e. imposing high tariffs on imported industrial goods in order to shield domestic industries against foreign competition). For a while, this policy bore fruit[26] but it was not sustainable in the long-run, particularly after the beginning of the Great Depression.

The final characteristic of the economies of Central and Southeastern Europe during the 1920s was a dramatic increase in the demand for capital. Because most of these countries wished to break their dependency on their former imperial masters (Austria-Hungary and Germany), they sought credit from other sources. By 1930, 75% of total foreign investment in Central and Southeastern Europe was from Western Europe (primarily the United Kingdom and France), while Germany, which had been the number one investor in the region in 1914, had sunk to fifth overall.[27]

[26] The industrial production of Yugoslavia increased by 40% between 1913 and 1929 and in Bulgaria, the industrial output in 1929 was 80% greater than that of 1915.Berend, p. 237.
[27] Teichova, "Eastern Europe in Transition", p. 10.

The Great Depression and the Banking Crisis of 1931

This period of relative prosperity in the countries of Central and Eastern Europe was short-lived, however. The decline in agricultural prices that began in 1928 was followed by the collapse of the New York stock market in 1929 and world-wide economic depression. Between 1929 and 1932, growth rates in Germany plummeted; at the low point of the Depression in 1932, industrial production in Germany had fallen to 61% of its 1929 level while German GNP fell by 39.5% between 1928 and 1932. Only in the US was the slump in production and GNP more severe than in Germany.[1] At the height of the Depression in Germany, 30.1% of the workforce was unemployed.[2] Elsewhere in Central Europe, Austrian GNP fell by 25.7% during the period 1929-1934 and Hungarian GNP fell by 31.1%.[3]

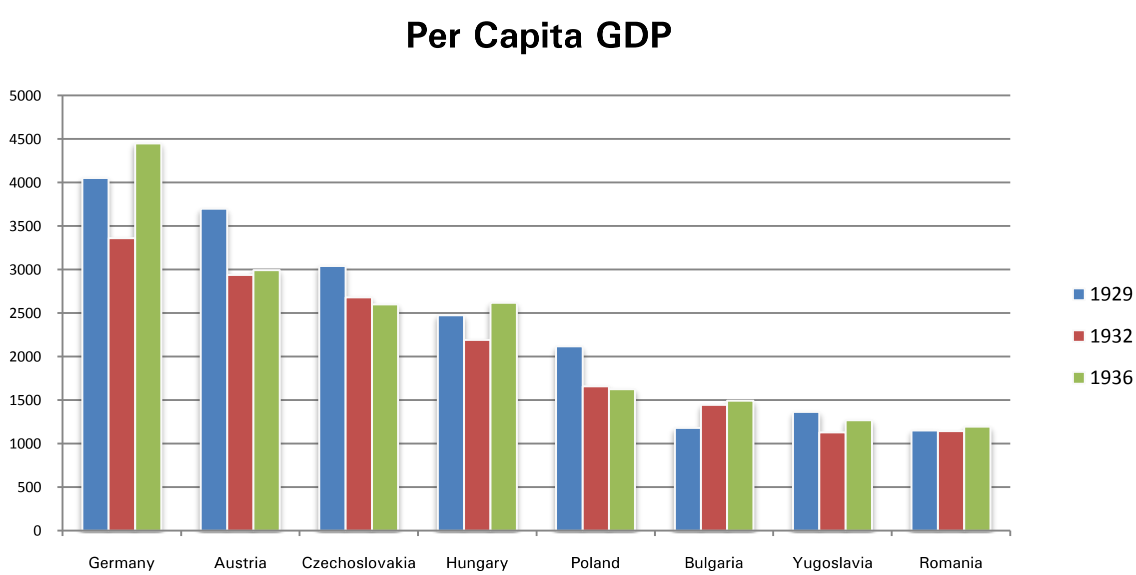

Figure 1

The agrarian economies of Central and Southeast Europe had problems finding markets for their main exports, as demographic changes such as deaths of workers and low population growth caused a decline in the demand for primary products. Countries such as the United Kingdom, France and the United States (all heavy investors in Central and Eastern Europe) restricted access to their home and colonial markets. In turn, economies that exported primary products were less likely to import manufactured goods from

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[1] England, in contrast, was still at 89% of its 1929 industrial production levels in 1932 and France did not reach its low point (71% of 1929 production) until1935. James, *The German Slump: Politics and Economics, 1924-1936* (New York: Oxford University Press, 1987), p. 6

[2] Britain's unemployment rate was 22.5% during the same period (see James, p. 6) while unemployment in the United States averaged about 25% during the 1930s. Peter Temin, *Lessons from the Great Depression*, (Cambridge, MA: The MIT Press, 1989), p. 3.

[3] James, p. 160.

Western Europe and the United States, because their own economies were suffering from a drop in demand for their products.

During the Depression, access to foreign capital, which had been so critical to the growth experienced by the countries of Central and Eastern Europe during the 1920s, virtually dried up. International capital markets during the period were highly unstable, a particularly difficult situation for Germany, which had become extremely dependent on foreign loans, especially from the United States, after the 1924 stabilization. The boom experienced by the US stock market in 1928 made it more difficult for Europeans to receive capital infusions from the US, because US investors turned to the stock market instead of investing their excess capital abroad.[4]

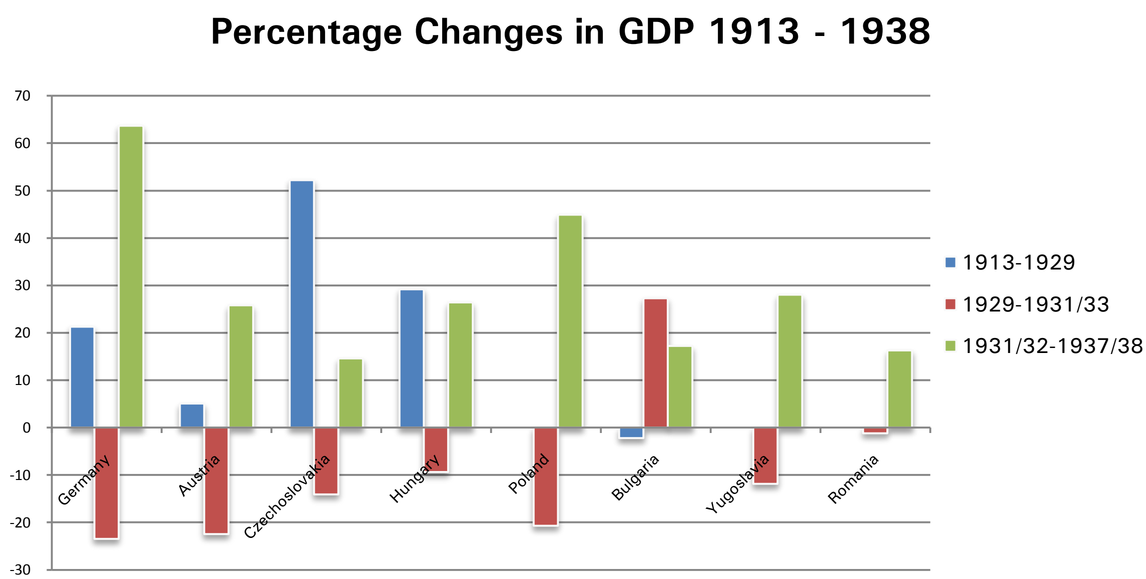

Figure 2

The financial sector in Central and Eastern Europe also experienced a series of crises, beginning with the spectacular collapse of the Austrian Creditanstalt in May 1931,[5] which led to the eventual devaluation of the Austrian schilling. Because of the heavy involvement of the Creditanstalt in the successor states of the Habsburg Empire, Austrian financial difficulties ramified widely and led to runs on the banks of Hungary, Czechoslovakia, Romania, Poland and Germany.[6] Moreover, the insurance industry did not emerge from the

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[4]Although Peter Temin argues that the slowdown in lending had occurred prior to the US stock market boom so the decline in investments is more likely tied to structural problems in the domestic credit market. Peter Temin, "The Beginning of the Depression in Germany," *Economic History Review*, 24, 1971, pp. 240-248.

[5] The Creditanstalt's 1930 balance sheet was equivalent to the size of the state's expenditures and about 69% of all Austrian limited companies did their business through the Creditanstalt. For these reasons, the Austrian government considered the Creditanstalt too big to fail and in June 1931, announced that, with a federal budget of roughly 1.8 billion schillings, it would guarantee 1.2 billion schillings of Creditanstalt liabilities. Predictably, the state's guarantees led to a run on the schilling – between April 30th and October 7, 1931, the Austrian national bank lost 848 million schillings (almost a half of the federal budget) in gold, foreign exchange and securities. Finally, in October 1931, the Austrian government introduced exchange controls on the schilling, but the damage to the Austrian economy was already profound and irreversible. Aurel Schubert, *The Credit Anstalt Crisis of 1931* (Cambridge University Press: New York, 1991).

[6] Charles Kindleberger, *The World in Depression, 1929-1939.* (Berkeley: University of California Press, 1973)

Depression unscathed. As the Depression worsened and salaries and wages were cut more and more insured borrowed against their policies to pay debts which could not be paid with depreciated stocks, bonds, or other assets.

After a more or less uninterrupted rise from 1925, the German money supply began to contract in the summer of 1930, falling by 17% to June 1931, thanks to developments in the commercial banking sector. German banks had already experienced a run on their deposits in May 1931 after the Creditanstalt collapse;[7] the situation was exacerbated when, on June 6, 1931, the German government issued a public statement that gave the impression that Germany would not be able to meet its scheduled reparations payments. The result was an enormous run on all German commercial banks, with the most affected being the Darmstädter- und Nationalbank (Danat).[8]

The German situation was further aggravated by the high foreign short-term indebtedness of the German banking system and of the German economy as a whole.[9] Moreover, there were structural weaknesses in the German banking system; the capital and reserves of the banks had been depleted as a consequence of the inflation; and the dramatic expansion in bank lending in the later 1920s took place as a result on a very narrow capital base.[10] German banks, buffeted by hyperinflation in the early 1920s, had 15:1 or 20:1 debt-equity ratios, similar to those of the Austrian banks. With this imbalance, in both Austria and Germany, a relatively small loss was enough to wipe out a bank's capital, which is precisely what befell the Danat Bank.[11]

* * *

In addition to the direct effects of the collapse of two of the largest banks in Central Europe, the 1931 banking crisis ended the availability of new loans and credit on the international financial markets for the countries of Central and Eastern Europe. Central and Eastern European countries labored at a further disadvantage, being, for the most part, debtor countries, with large proportions of their national debt held by foreign governments and banks, who called outstanding loans as they too began to feel the pinch of financial crisis.[12]

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[7] The Darmstädter- und National Bank (Danat) lost 97 million Reichsmarks (nearly a third of the total losses of 337 million RM) while Deutsche Bank lost 51 million and Commerzbank lost 36 million. James, p. 302.

[8] In June 1931, the Danat lost 847.8 million RM in deposits (nearly 41% of its deposits), the Dresdner Bank lost 218 million (10.7% of its deposits) and the Deutsche, Commerzbank and BHG all lost around 8% of their deposits. James, Ibid.

[9] The total German short-term foreign debt was 15.5-16 billion RM in mid-1930 and 13.1 billion RM in July 1931. The German banks alone owed 5.9 billion RM in July 1931. See James, p. 294.

[10] Ibid.

[11] Having learned that both the Danat and Dresdner banks were in perilous straits, the German government declared a bank holiday on July 14, 1931 that was meant to last for two days, but went on for far longer. Before permitting German banks re-opened for business on August 5, 1931, the government of Heinrich Brüning insisted on immediate and radical reform of the banking system. The Danat and Dresdner were merged; one-third of the directors of Deutsche Bank and half of those of Commerzbank were fired. By 1932, 91% of the capital of Dresdner Bank (including that of the now merged Danat), 70% of Commerzbank's capital and 35% of Deutsche Bank's capital was publicly owned by the German state. James, pp. 283-323.

[12] In Romania, 89% of public debt was owed to foreigners; in Yugoslavia and Hungary, the figure stood at over 80%, while in Poland, 63% of public debt was financed by foreign loans. Teichova, "Eastern Europe in Transition," p. 11.

Much foreign investment Central and Eastern Europe had taken the form of short-term loans.[13] Similarly high percentages of foreign-owned capital were true in the insurance industry as well, as will be discussed further below. As foreign creditors withdrew from Central and East European markets, central banks were forced to step in and save industrial firms and banks from collapse, by depleting their own foreign exchange and gold reserves.[14] In turn, central banks lost their own reserves, and they were unable to discount notes from private banks, which led to further bank collapses in the region.[15]

The decline in foreign trade that accompanied the Depression, resulted in insufficient income to service existing debts.[16] As the Depression continued and deepened, the agrarian economies of Eastern Europe were particularly hard hit. For example, agricultural prices in Hungary fell 66% between 1925 and 1934.[17] Accordingly, the countries of Central and Eastern Europe sought to restore the balance of trade by imposing quotas and high tariffs on imports. Countries across Europe effectively abolished the gold standard[18] and central banks restricted currency convertibility in an effort to stop capital flight and placed foreign exchange transactions under their purviews, introducing a two-tiered exchange rate system.[19] In effect, Central and Eastern European economies became both isolationist and protectionist to a far greater degree than they had been before.[20]

In addition to balance of payments crises, the nations of Central and Eastern Europe were also plagued by massive unemployment, which in turn, often, though not always,[21] led to political instability. In many countries, as established political parties seemed unable

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[13] For example, in July 1931, at the height of the banking crisis in Germany, short-term foreign loans to German banks, industry, agriculture and public institutions totaled almost 12 billion Reichsmarks. James, p. 136. Half of the foreign loans to Hungary between 1924 and 1929 were short-term loans, in the amount of 1 billion pengös (approximately US $170 million). See Ivan T. Berend, "Banking and the Role of Foreign Capital in the Economy," in Ivan T. Berend and Tomas Csabo, *Evolution of the Hungarian Economy, 1848-1989,* Boulder, Colorado: Social Science Monographs, 2001, p. 172. Direct foreign investment comprised 83% of the total capital of joint-stock companies in Romania, 61% in Yugoslavia, 44% in Poland and 29% in Czechoslovakia. Of the total capital of Romanian and Yugoslav banks, 75% consisted of foreign direct investment. See Teichova, "Eastern Europe in Transition," pp. 11-12.

[14] Between May 1 and July 13, 1931, the Hungarian National bank paid out two hundred million pengö (US $40 million) in gold and foreign exchange, effectively wiping out its reserves. Similarly Poland repaid almost a billion zloty in short-term loans, while Romania also eliminated its gold and foreign exchange reserves with 1.8 billion Lei worth of repayments of short-term loans. Ivan T. Berend, *Decades of Crisis: Central and Eastern Europe Before World War II*, Berkeley, California: University of California Press, 2001, p. 261.

[15] Ibid.

[16] For Austria in 1931, debt service as a percentage of exports was 22%; for Romania and Yugoslavia, the ratio of debt service to exports stood at 28-29%, and for Hungary, debt service was 48% of exports.Teichova, "Eastern Europe in Transition," pp. 11-12.

[17] Yehuda Don, "The Economic Effect of Anti-Semitic Discrimination; Hungarian Anti-Jewish Legislation, 1938-1944", Jewish Social Studies, vol. 48, no. 1 (winter 1986), pp. 63-82. At the same time, a third of Hungary's industrial labor force was also unemployed.

[18] Indeed, the London Monetary and Economic Conference of 1933, at which participating countries were unable to agree on a price to set for gold, essentially marked the end of the post-World War I gold standard, even though many countries nominally still backed their currencies in gold.

[19] Official exchange rates remained at the stated rates in order to ensure that foreign debt did not grow, while, simultaneously, a special devalued exchange rate was set up for foreign trade transactions – because currencies were not freely convertible, all exchange rates were determined by the central banks, which enabled them to control this two-tiered system.

[20] Berend *Decades of Crisis*, pp. 269-272

[21] Although Czechoslovakia was among the hardest hit by the economic crisis - between 1929-1933 Czechoslovak industrial output dropped by 40%; capacity of goods traffic decreased by almost one half. Unemployment was at 1 million, with a population of less than 15 million- there was no Czechoslovak move towards authoritarianism or fascism during the 1930s. Prucha, p. 25.

to cope with the economic crisis and immiseration of their populations, voters turned increasingly to more radical parties of the left and the right, the most notorious of course, being the rise of the National Socialist German Workers' Party (*Nationalsozialistische Deutsche Arbeiterpartei* – NSDAP or Nazi), where Adolf Hitler's promises to mitigate effects of Depression were spectacularly successful, at least during the first years of the Nazi regime.[22]

Countries were unable to find markets for their main exports and the Nazi regime embarked upon a policy of bilateral trade agreements with countries like Hungary, Yugoslavia and Bulgaria. The so-called "New Plan" (*Neue Plan*) devised by Hjalmar Schacht, the German Economics Minister, focused on the countries of Central and South-Eastern Europe as key to Germany's economic preparations for war; the Germans negotiated a series of bilateral trade agreements with countries in South Eastern Europe that ensured a steady supply of agricultural goods and raw materials for German industry whilst conserving Germany's foreign exchange reserves, since imports from Eastern Europe would be compensated for by German exports of industrial goods. The countries of Eastern Europe were attracted by German guarantees to purchase agrarian products they could not have sold elsewhere.[23]

By the mid-1930s, foreign trade for Central and Southeastern European countries was increasingly concentrated on Germany, drawing them into the German sphere of influence. By 1935, for example, a quarter of Hungary's foreign trade was composed of imports from and exports to Germany[24]. Bilateral trade with Germany, however, did not aid the industrialization of these less developed economies, nor create demand in the home countries, or, indeed, accelerate economic growth to any extraordinary extent.

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[22] During 1930s in Britain, unemployment never fell below 11%; in contrast, by 1936, German unemployment had fallen radically to only 8%. Moreover, German GNP doubled from Depression era low of 42 billion RM to 81 billion RM in 1938. See James, pp. 7-8.

[23] Germany signed a trade agreement with Hungary in February 1934, under which the Germans would provide industrial goods in exchange for Hungarian agricultural products. Other such bilateral agreements followed, with Yugoslavia and Bulgaria later in 1934, and with Romania in 1935. Berend, pp. 273-277.

[24] After the German annexation of Austria and Czechoslovakia, Germany became an ever-more dominant trading partner for Hungary; by 1939, on the eve of the Second World War, exports to Germany constituted 52.2% of all Hungarian exports and imports from Germany constituted 52.5% of all imports to Hungary. At this time, Germany was even more dominant among imports of manufactured goods: 80% of all Hungarian imports of manufactured goods were from Germany. A similar German influence on foreign trade was also felt amongst Hungary's smaller neighbors such as Romania, Bulgaria and Yugoslavia. Although Germany had not played a significant role in capital investment in Hungary until 1938, the annexations of Austria and Czechoslovakia and the subsequent takeover of Austrian and Czech investment in Hungary meant that by the spring of 1939, German interests were represented in almost all the large industrial enterprises of Hungary. Peter Sipos, "Hungary in the German Sphere of Interest," in Richard J. Overy, Gerhard Otto, and Johannes Houwink ten Cate, eds., *Die "Neuordnung" Europas: NS-Wirtschaftspolitik in den besetzten Gebieten*, Berlin: Metropol, 1997, pp. 241-256.

The 1936 Life Insurance Market in Central and Eastern Europe

Given the economic uncertainty introduced by the currency crises of the early 1920s and the banking crises of the early 1930s, the purchase of whole life insurance policies (and related life products, such as dowry[1] and endowment[2] insurance) became one of the primary methods of savings for many people in Europe during the interwar years. Insurance denominated in hard foreign currencies (or gold) sold by foreign insurance companies seemed to provide a security lacking in national currencies and/or national banks.

Whole life insurance policies were an attractive investment, especially for low-income earners, as they offered lifelong protection (as long as premiums were paid and the policy was not surrendered), had level premium payments and a cash value.[3] Whole life policies could also be surrendered and the surrender value then used to purchase a reduced paid-up amount of insurance. However, not all types of life insurance products were within the reach of these earners as they could not always afford the minimum face value or premium payments. For those reasons, policies of lesser face amounts and smaller premiums appealed to this income group, particularly industrial life insurance or burial insurance.

Insurance policies were generally of low value, even when used as a savings device. According to the figures reported in the 1936 *Assekuranz Jahrbuch*, the total number of life insurance policies in force in Poland, whose population exceed 32 million people, was 257,684; most of those (over 48%) were written by the P.K.O, one of three public life insurance companies, while the total reported insured sums for those policies was 722,210,000 zloty ($136,136,585 using the 1936 US dollar to zloty exchange rate), resulting in a average insured sum of 2,803 zloty ($528). Though the average value of a life policy in Poland was approximately 2,803 zloty, the median value of policies in force in 1936 was 5,287.46 zloty ($996.69). An additional type of insurance was burial insurance, which originated with "mutual societies"[4] and whose purpose was to provide the financial means to avoid a pauper's burial, were generally also of small value.

Unlike foreign banks, agents for foreign insurance companies were accessible throughout Central and Eastern Europe (with the exception of the Baltic states, where most insurance companies were domestically based). The Italian insurers Assicurazioni Generali and Riunione Adriatica di Sicurtà, both based in Trieste, had a particular competitive advantage in the territories of the former Austro-Hungarian Empire, as did

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[1] Dowry insurance is intended to cover the costs of a child's wedding or to provide some financial assistance to facilitate the start of his/her independent life.

[2] An endowment policy pays the assured sum (face value) after a specified period (for example, 20 years) or upon the death of the insured, whichever comes first.

[3] The face amount is the amount of coverage the policyholder sought to provide beneficiaries in the event of death. The cash value was the value that built up in the policy. Cash values reflect an accumulation of premiums and grow over time. The policyholder may access that money in the form of a policy loan or payment of the cash value. Indeed, the cash demand of policyholders during the Depression was met through policy loan and surrender mechanisms and the estimated outflow (in the US) through these mechanisms was over $6 billion between 1930 and 1936.

[4] Mutual societies or friendly societies were organizations that provided a form of insurance against loss of income before there was a system of state support for the sick and the unemployed. In return for regular contributions, the society would make payments to members who were unable to work; many also offered pensions, life insurance, funeral insurance and other benefits. Often they also functioned as social clubs, with the members being drawn from a particular section of society.

Vienna-based companies such as Anker and Phoenix. The only German insurance company which widely operated outside of Germany was Victoria zu Berlin.

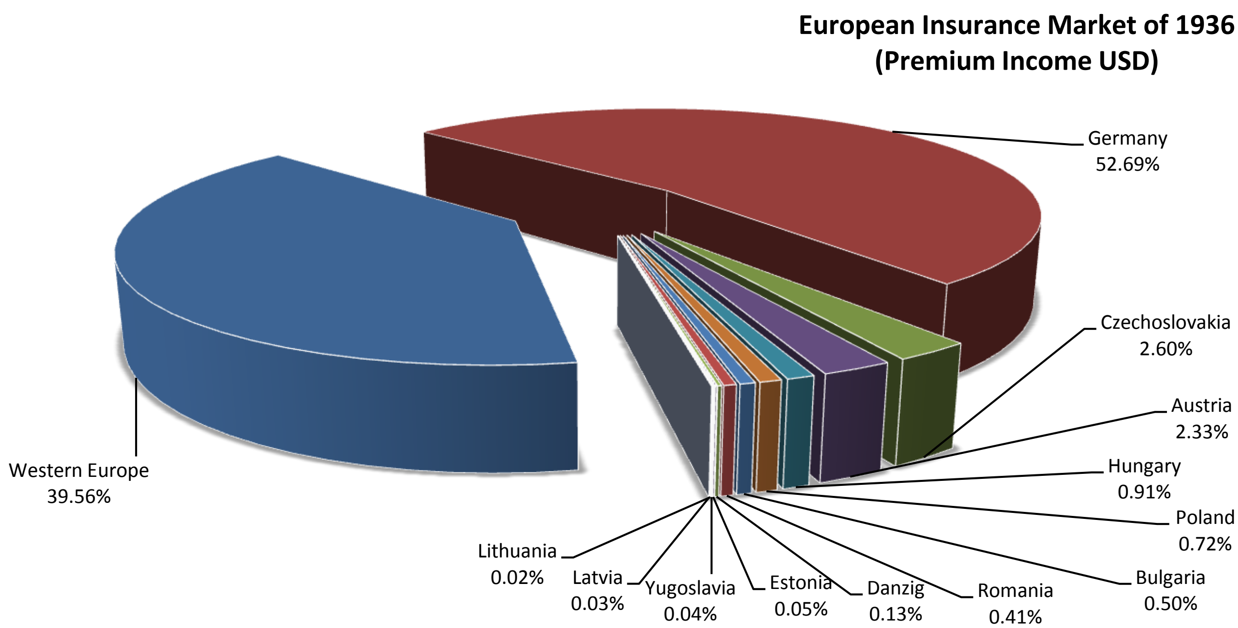

Figure 1 – Western Europe includes Belgium, Denmark, France, Italy, Netherlands, and Norway, countries that were subsequently occupied by the Nazis.

Country	Premium income in local currency (1936)	Premium income in USD (1936)[5]
Austria	108,054,000.00	$20,195,292.60
Bulgaria	359,230,000.00	$4,346,683.00
Czechoslovakia	638,629,998.00	$22,479,775.93
Danzig	5,951,000.00	$1,122,358.60
Estonia	1,576,000.00	$428,987.20
Germany	1,133,346,000.00	$455,945,095.80
Hungary	26,873,000.00	$7,906,036.60
Latvia	1,439,000.00	$277,295.30
Lithuania	1,234,800.00	$207,693.36
Poland	32,970,000.00	$6,214,845.00
Romania	486,974,000.00	$3,554,910.20
Yugoslavia	135,501,000.00	$311,652.30

Table 1 - 1936 insurance market in Nazi-occupied continental Central and Eastern Europe.

In continental Europe, Germany was by far the largest market, with nearly 5 times the premium income in 1936 of the next largest Continental European market, France; German premium income was RM 1,133,346,000 or $455,945,095 in 1936, while in France the total premium income was the equivalent of just under $93 million (1,987,350,000 in local

[5] Premium income in 1936 USD is calculated using reported currency exchange rates at the end of 1936.

currency). Only the United Kingdom, with a total premium income of $412 million 1936 US dollars approached the size of the German insurance market of the day.

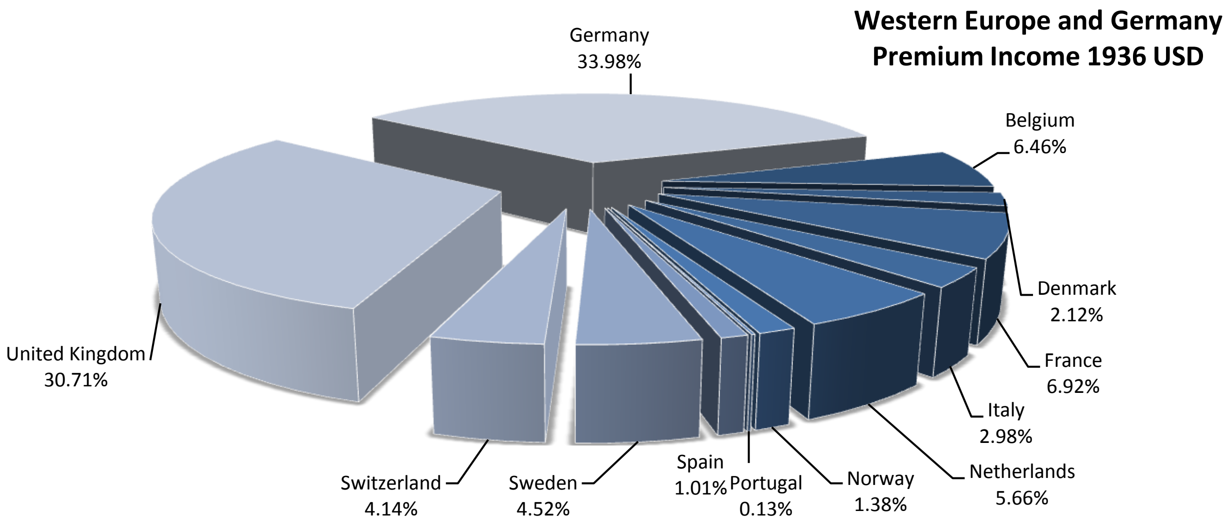

Figure 2

Compared to other Eastern and Central European countries, the German insurance market was even more dominant, dwarfing its closest neighbors. Although Poland's population of just over 32 million in 1936 was half that of Germany's (just over 66 million), its insurance market was a miniscule 1.3% of that of Germany. With only 257,684 life insurance policies in force in Poland in 1936, on average only one out of every 125 people had an insurance policy.[6]

The total European market, however, was overshadowed by the United States domestic market; the direct premium income for life insurance policies in the United States in 1936 was $3.68 billion. The US population at the last official census prior to 1936 was 122 million; the population of what would eventually be Nazi-occupied Europe (minus Soviet territories) at this time was 287 million. In other words, the US, with a population less than half the size of the continental European population, had an insurance market four times as large.

[6] In the US market of the time one out of every two people was a policyholder.

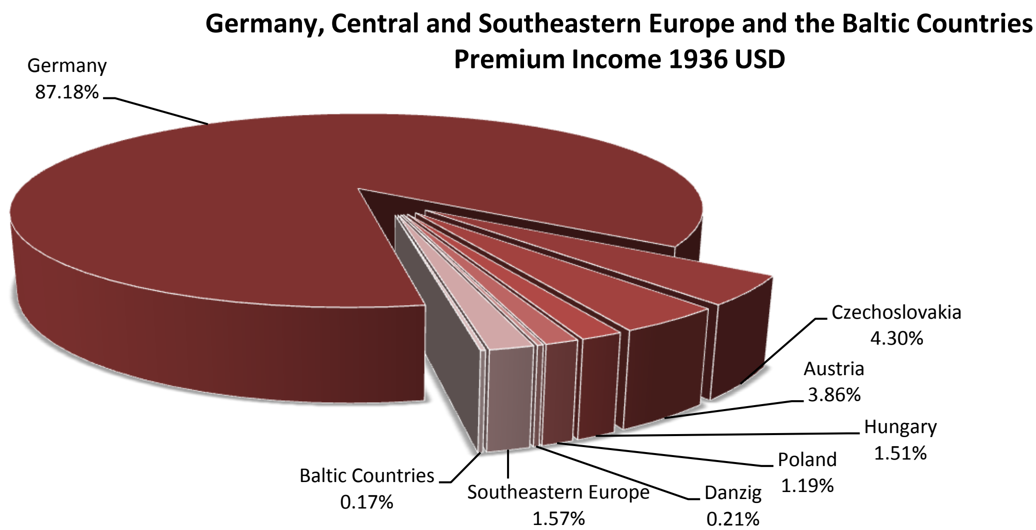

Figure 3

Country	Population as of Last Official Census in 1936
Austria	6,760,000
Bulgaria	6,090,000
Czechoslovakia	14,729,000
Estonia	1,126,000
Germany	66,104,000
Hungary	8,688,000
Latvia	1,900,000
Lithuania	2,029,000
Poland	32,133,000
Romania	18,053,000
Yugoslavia	13,934,000

Table 2 – Population of Central and Eastern Europe

The size of the German insurance market in 1936 is reflective of the size and wealth of the German economy as a whole. Germany's per capita Gross Domestic Product (GDP)[7]

[7] GDP is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports. The difference between GDP and GNP (Gross National Product) is that the former includes only goods and services produced within the geographic boundaries of a given country, regardless of the producer's nationality while the latter does not include goods and services produced domestically by foreign producers, but does include goods and services produced by domestic firms operating in foreign countries. (In other words, Victoria's Bulgarian operation would be considered part of Germany's GNP, but not part of Germany's GDP, while Schweizerische Leben's German operations would count towards German GDP, but not Germany's GNP since it's a Swiss company.)

Although GDP did not become a commonly recognized method of measuring national accounts until after World War II, the economist Angus Maddison used international statistical data to calculate historical GDP figures for a number of countries for the Development Centre of the Organization for Economic Co-Operation and Development (OECD). For a more detailed explanation of his methods, see Angus Maddison, *The World Economy, Vol 1. A Millenial Perspective* and *The World Economy, Vol. 2: Historical Statistics,* Development Centre Studies, OECD, 2006.

was substantially greater than that of its Central and Eastern European neighbors such as Austria and Poland. In 1936, German per capita GDP was three times that of Polish per capita GDP, and one and a half times greater than those of Austria, Hungary and Czechoslovakia. The less industrialized countries of Southeastern Europe – Bulgaria, Yugoslavia and Romania – had even lower GDP per capita.

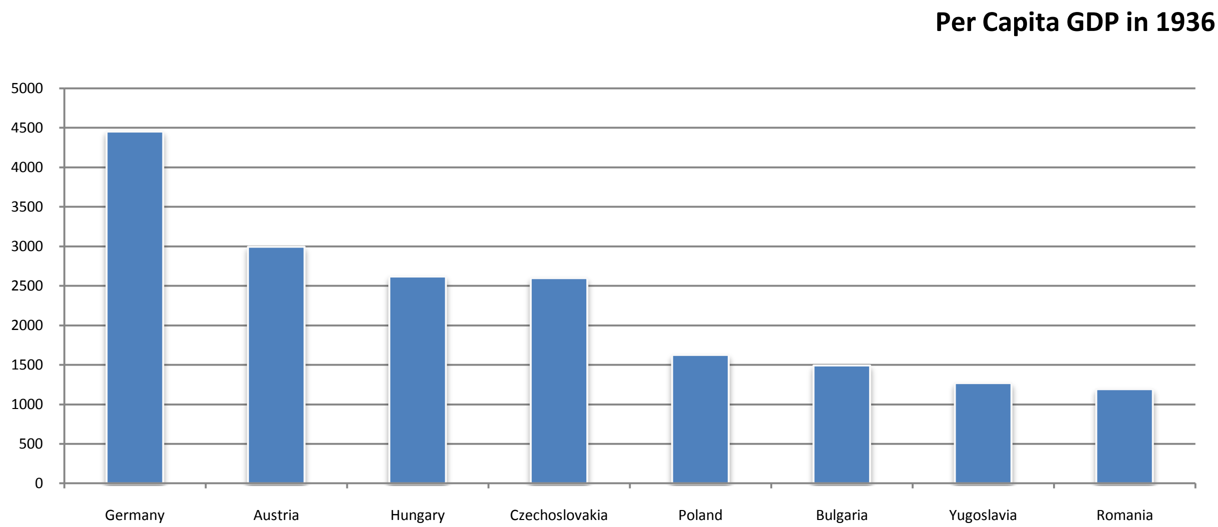

Figure 4

Unsurprisingly, the density of the insurance market (1936 premium income divided by 1936 population) was correspondingly lower in countries with lower GDP, although Poland unexpectedly lagged behind Bulgaria and Romania in terms of premium payments per capita, despite its larger GDP, thanks to its comparatively underdeveloped prewar insurance market.

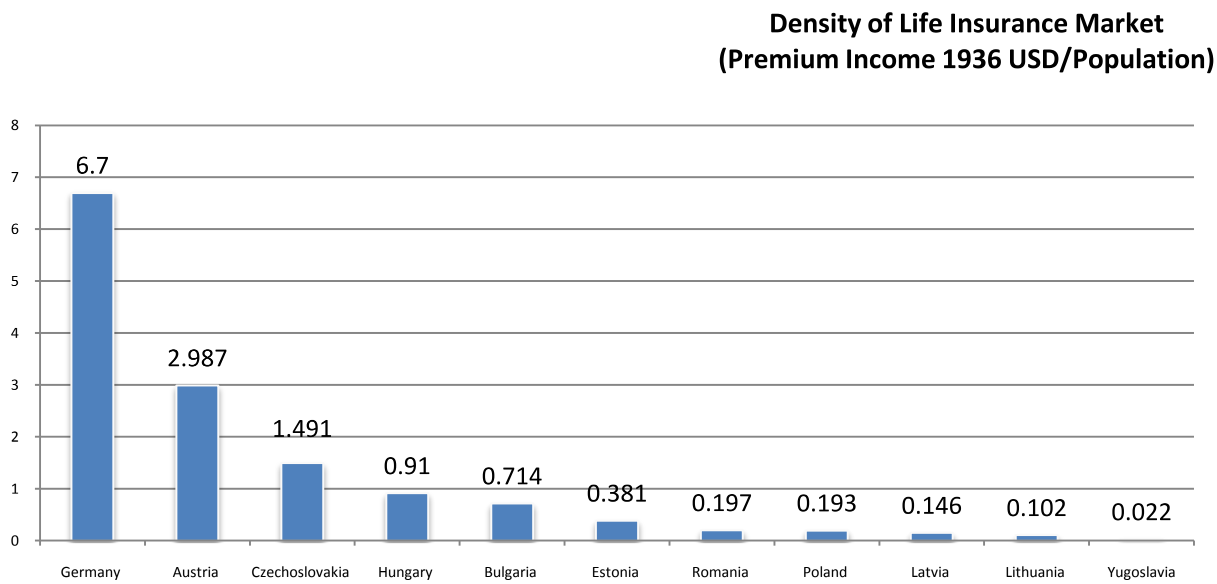

Figure 5 - This chart shows the difference in premium payments between Central and Eastern European countries as related to the size of population (as of the last official census figures as of 1936). The figures for each country represent the amount in 1936 US Dollars each person would have paid in life insurance premiums.

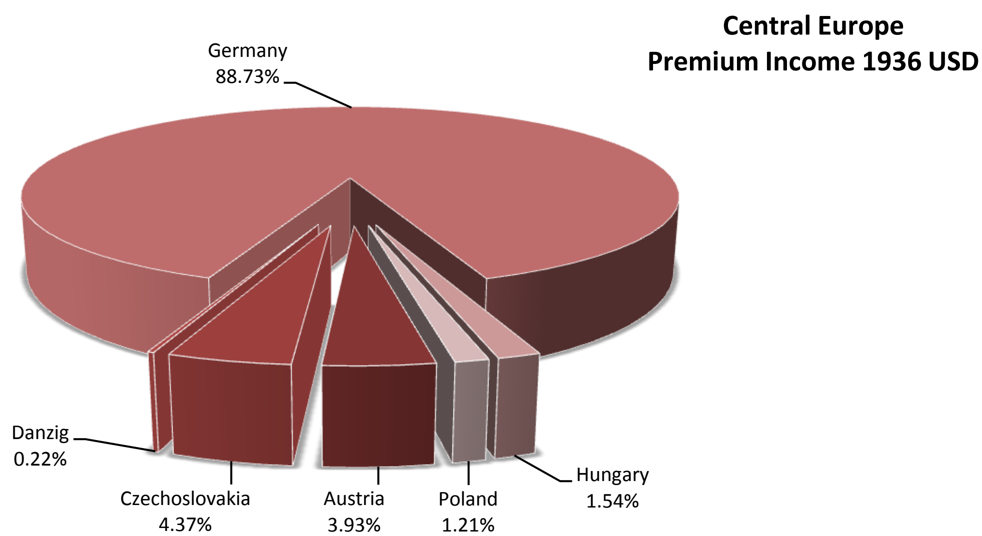

Figure 6

Germany

Parallel to developments in the banking and manufacturing sector, the German insurance industry also underwent a period of turmoil during the early 1920s, followed by a high level of concentration during the 1920s and 1930s.

The hyperinflation of the 1920s led to a combination of increasing policyholder underinsurance and rising costs for insurers. By 1922-1923, old policies were worthless and the revision of premiums and values on policies could not keep pace with the rapid devaluation of the currency. Indeed, for insurance companies, the cost of collecting premiums during the hyperinflation exceeded the value of the premiums themselves. Increasingly, the only secure policies were either denominated or pegged to gold or secure foreign exchanges – above all, the dollar; such policies only were permitted for a few months in 1923.

With the stabilization in 1923-1924, the value of paper mark assets such as insurance policies simply disappeared; the revaluation laws passed in 1925 provided for up to a 15% revaluation of life insurance policies, depending on the real value of coverage and how long a policyholder had held the insurance policy but the complex arrangement did not benefit inflation-era policyholders until the early 1930s.

After the introduction of exchange controls during the July 1931 banking crisis, holding foreign-exchange or gold-denominated policies was no longer particularly easy (as it was now difficult to pay foreign-currency premiums) and these policies, in any case, lost some of their attractiveness given the 41% devaluation of the US dollar in July 1934, and the 35% devaluation of the Swiss franc in 1936. Instead, insurance companies offered their customers the opportunity to convert the gold- and foreign-currency policies into Reichsmarks at a more advantageous rate (4.2 Reichsmarks per 1 US dollar) than the official 2.5 RM per 1 US dollar rate set by the Reichsbank. Such conversions were made compulsory by an August 1938 law of general application. [8]

By 1936, even with the wave of consolidation and concentration that the insurance industry had undergone, there were still over 80 companies – public, private and foreign – selling life insurance in Germany.

[8] Gerald Feldman, "Confiscation of Insurance Assets, Special Issues", *Proceedings of the Washington Conference on Holocaust-Era Assets, November 30-December 3, 1998*, p. 602.

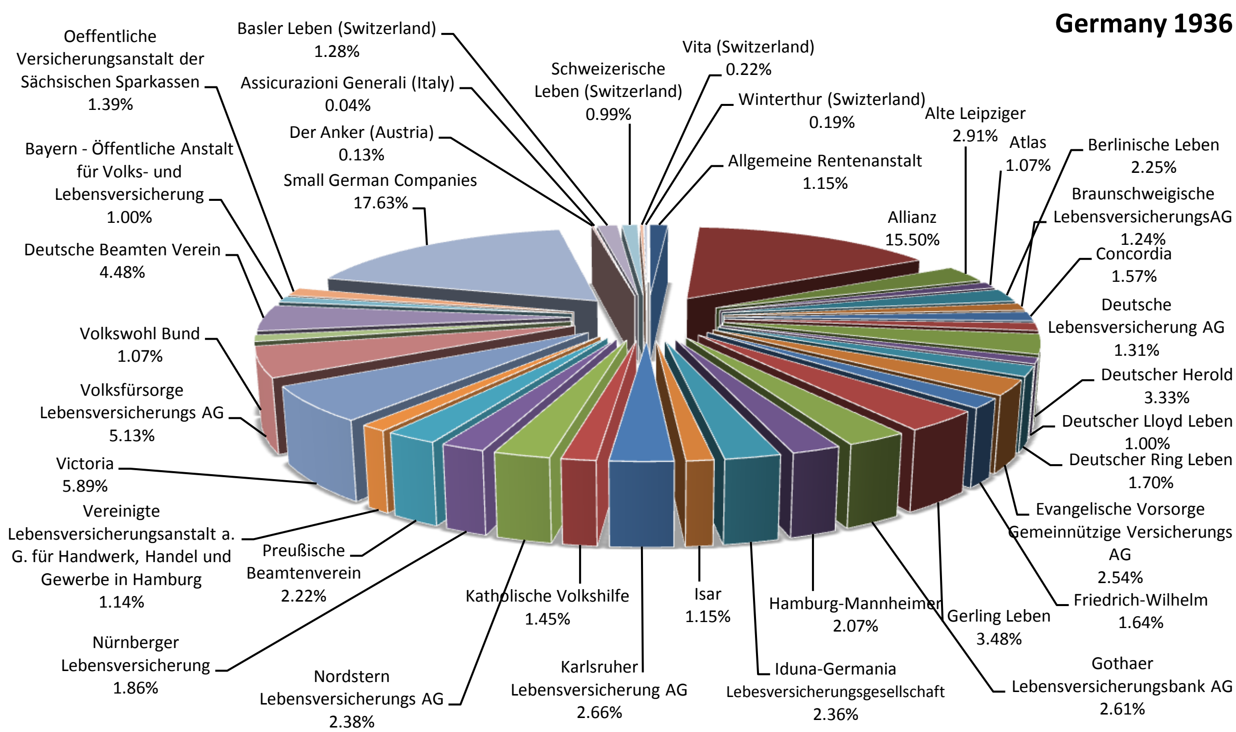

Figure 7 - Market share of individual companies operating in the Germany insurance market in 1936 as determined by reported direct premium income. (The "Small German Companies" is comprised of 45 German domestic companies each making up less than 1% of the entire German market.)

The life insurance market in Germany was dominated by private companies, although these varied widely in their scope and aims. There were a number of insurance companies organized by profession (i.e. lawyers, notaries, doctors, war veterans and various craftsmen all had the opportunity to purchase insurance from companies dedicated to them) as well as by religious affiliation (both the Protestant and Catholic churches offered life insurance policies to members.)

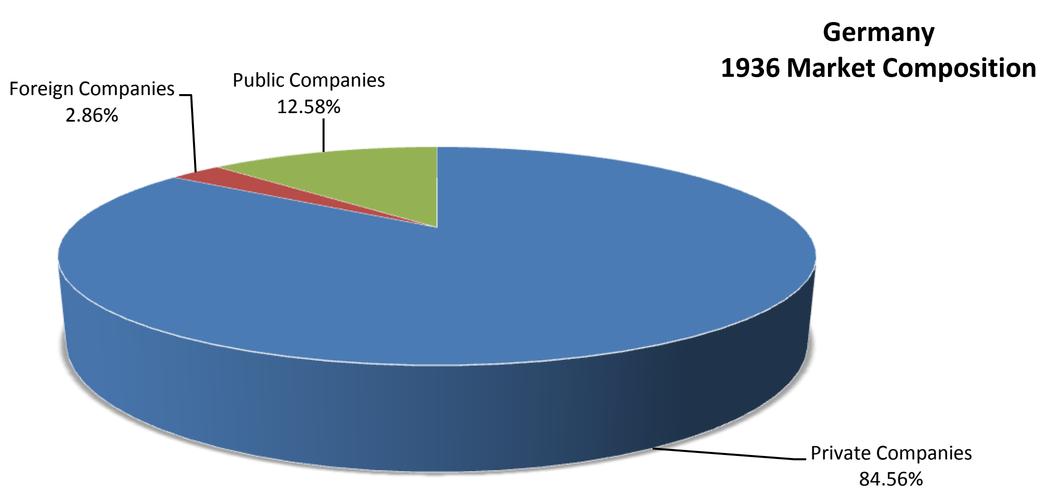

Figure 8

A 1938 report by the *Wirtschaftsgruppe Privatversicherung* (the industry association for private insurance companies) congratulated the private insurance industry on its steady growth. According to the report, the number of "large" life policies[9] (*Grosslebenversicherungen*) had grown from 2.4 million at the end of 1934 to 2.9 million by the end of 1936, while the number of so-called "small" life policies[10] had increased from 13.5 million to 18.3 million during the same period, a growth rate of 130%. Group insurance had also experienced a steady, though less spectacular growth during the period. The total number of life insurance policies sold by private companies in Germany increased from 21.2 million at the end of 1934 to 26.2 million by the end of 1936.[11]

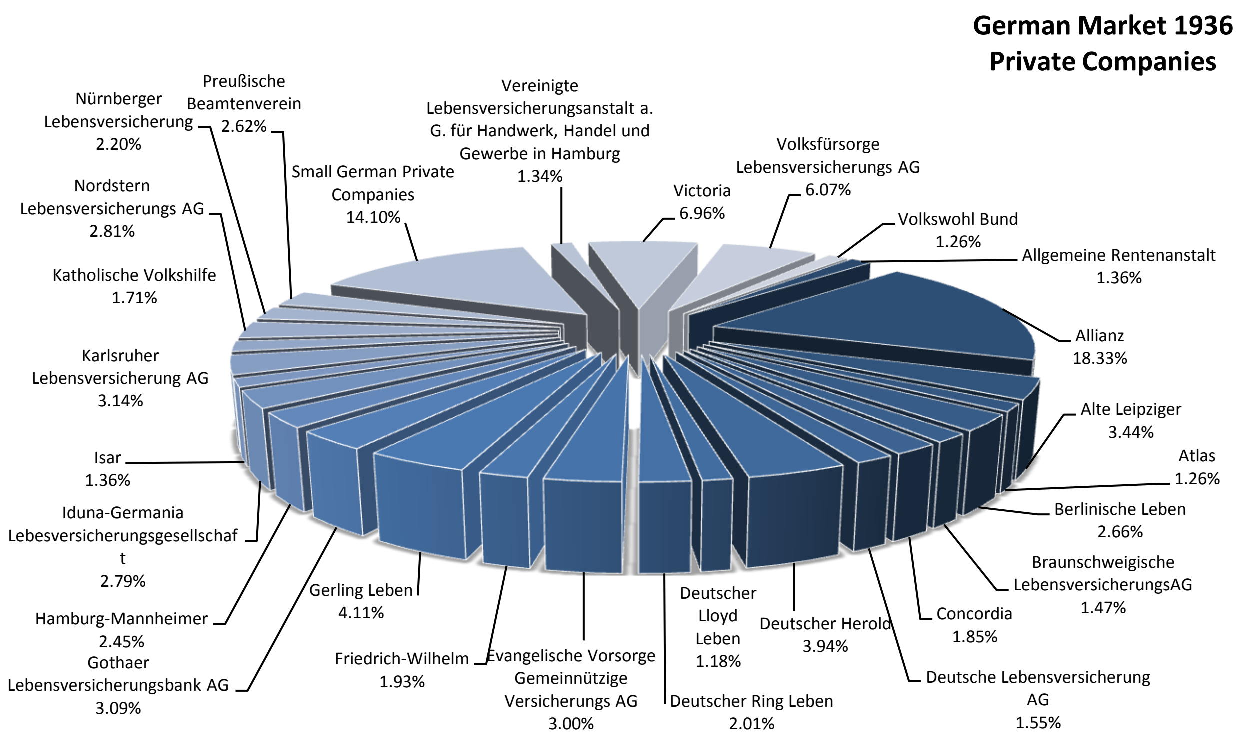

Figure 9 – The "Small German Private Companies" is comprised of 29 private German domestic companies each making up less than 1% of the entire German market.

The largest single private insurer was the giant Allianz Konzern. In addition to the policies it sold under the name "Allianz", as discussed earlier, it owned or had a controlling interest in a number of the other companies previously owned by Favag, whose names had not been changed when Allianz took over the Favag concern's business.

In addition to private insurance companies, there were also a substantial number of publicly owned provincial life insurance companies, which made up nearly 13% of the market. Many German provinces (and even some cities) had their own insurance companies, dating to the period before German unification in 1870, when the German states formed a hodge-podge of small kingdoms, duchies, etc., with their own administrative bodies.

[9] The average value of "large" life policies was 5,000 RM.
[10] The average value of "small" life policies was 600 RM.
[11] Geschäftsbericht der Wirtschaftsgruppe Privatversicherung und des Reichsverbandes der Privatversicherung (e.V.), 1935-1937, Munich: 1938, p. 11.

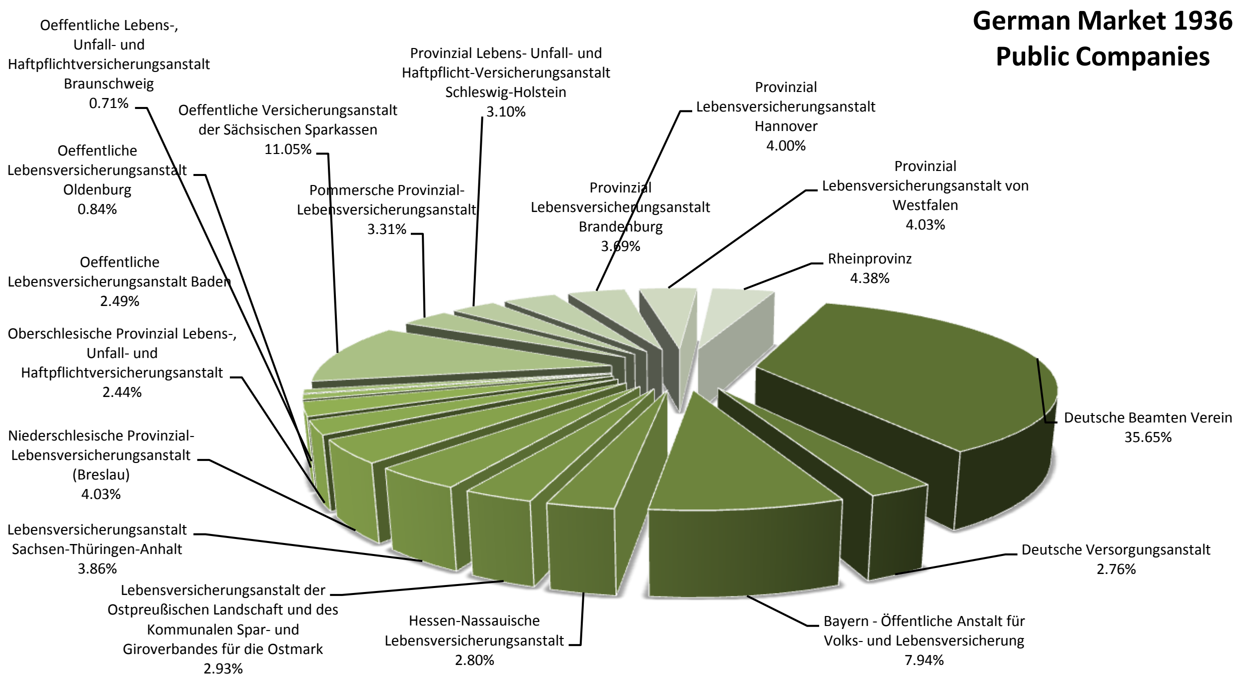

Figure10

During the interwar years there was a noticeable decline in the amount of insurance sold by foreign insurers in various domestic markets. Foreign companies did not play a large role in the German market. Their contribution to total premium income in the German domestic market was less than three percent, and the number of policies issued by foreign companies in force in 1936 was a scant 126,000. The majority of these were written by two Swiss companies, Basler Leben and Schweizerische Leben, which had nearly 100,000 life insurance policies between them in the 1936 German market. A further 11,000 policies were issued by two other Swiss companies, Winterthur Leben and Vita of Zurich. The only other foreign companies with any presence in Germany were Der Anker of Vienna, with 14,000 policies and Assicurazioni Generali of Trieste with a negligible 3,000 policies in force in 1936.

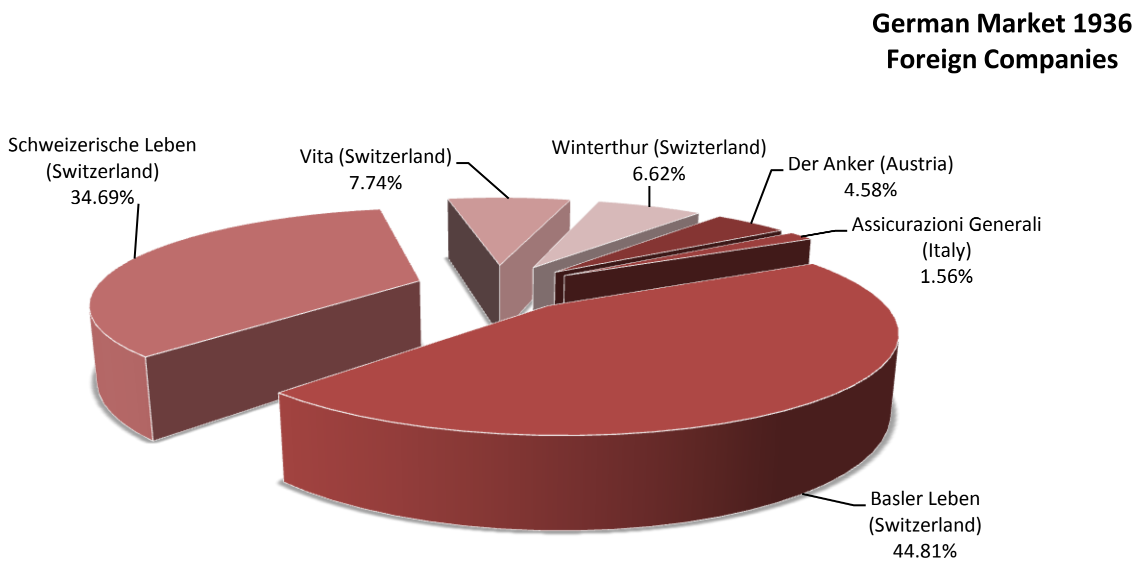

Figure 11

Austria

The Austrian insurance industry in the interwar period suffered a series of shocks, beginning with the collapse in 1918 of the single insurance market provided by the Austro-Hungarian Empire. Insurance companies based in the great cities of the empire (Vienna, Prague, Budapest, Trieste) had grown accustomed to seeing the entire empire as their natural sales territory, with shared principles of insurance, regardless of territorial, linguistic or ethnic differences among the insured populace. But the Treaty of St. Germain-en-Laye foresaw all financial and monetary issues (division of currencies and the debts of the Austro-Hungarian state) as matters for discussion between the newly formed states.

Article 272 of the treaty addressed the issue of insurance companies; all insurance companies that had once had their seat in the territory of the Austro-Hungarian Empire were permitted to continue their operations in the territory of the Austrian Republic, while Austria promised not to disadvantage these foreign companies by taxing them differently or charging different types of fees.[12] The treaty did not, however, impose a similar reciprocal condition on the other successor countries (i.e. the Czechoslovaks did not have to permit Austrian companies to operate on their territories, although Czechoslovak companies could operate in Austria).

In 1922, representatives of the Austrian, Czechoslovak, Yugoslav, Polish, Romanian, Hungarian and Italian governments met to discuss guidelines for the insurance industries in the successor states of the Austro-Hungarian Empire, including the issue of who was responsible for the payment of imperial bonds in the possession of various insurance companies. This paved the way for further bilateral negotiations between the countries affected.

[12] Miroslav Marvan & Alois Mosser, "Die neuordnung der versicherungswirtschaftlichen Beziehungen, 1918 bis 1927", in Alice Teichova and Herbert Matis, eds., *Österreich und die Tschechoslowakei, 1918-1938: Die wirtschaftliche Neuordnung in Zentraleuropa in der Zwischenkriegszeit*, Vienna: Böhlau, 1996. p. 215.

The Austrians and Czechoslovaks signed a bilateral agreement in Prague that was finally ratified in 1927, under the terms of which Austrian insurers agreed to pay prewar Austro-Hungarian insurance policies held by current Czechoslovak residents in Czechoslovak crowns. (This was a substantial concession the part of the Austrian companies, since the hyperinflation had rendered Austrian crown policies virtually worthless in Austrian currency.) The Czechoslovaks, meanwhile, suggested that by fulfilling their obligations in Czechoslovak crowns, Austrian companies like Phoenix, Donau and Anker, Anglo-Elementar, and Erste Einbruch would be given the right to sell insurance in the Czechoslovak Republic.[13]

Meanwhile, hyperinflation in Austria had devastated the insurance industry, as the value of the Austrian crown plummeted. Although insurance companies had a portion of their assets in foreign currencies or gold, the largest share of their assets were in Austrian crowns (not to mention various war bonds that had completely lost their value). Just as in Germany, hyperinflation caused the costs of running the companies to exceed the value of premiums paid. Policyholders suffered too, however, since their policies were largely unsecured and the nominal values lost all meaning. An individual who had purchased a twenty-year life insurance policy in 1910 would have paid half the premiums for nothing, and would receive nothing in the end.[14]

After the stabilization of the Austrian currency in 1925, however, the Austrian life insurance industry enjoyed a period of steady growth. Direct premium income for life insurance policies grew from 67,078 million schillings in 1929 to 92,439 million in 1932, before dropping somewhat in the Depression years of 1933 and 1934.[15] However, the real blow to the Austrian insurance industry came with the Phoenix bankruptcy in 1936.

The Phoenix company was by far the largest life insurance company within Austria, accounting for 62% of all premiums paid in the domestic market in 1935. The next closest company was Der Anker, with 7.5% of premiums paid on life insurance policies. The largest foreign life insurance company within Austria was the German Victoria zu Berlin, which took in 2.1% of all life insurance premiums in 1935.[16]

[13] Marvan and Mosser, p. 221.
[14] Dieter Stiefel, Die Österreichischen Lebensversicherungen und die NS-Zeit: Wirtschafliche Entwicklung, Politischer Einfluss, Jüdische Polizzen, (Viena: Böhlau Verlag, 2001).
[15] Stiefel, p. 29.
[16] Stiefel, p. 30.

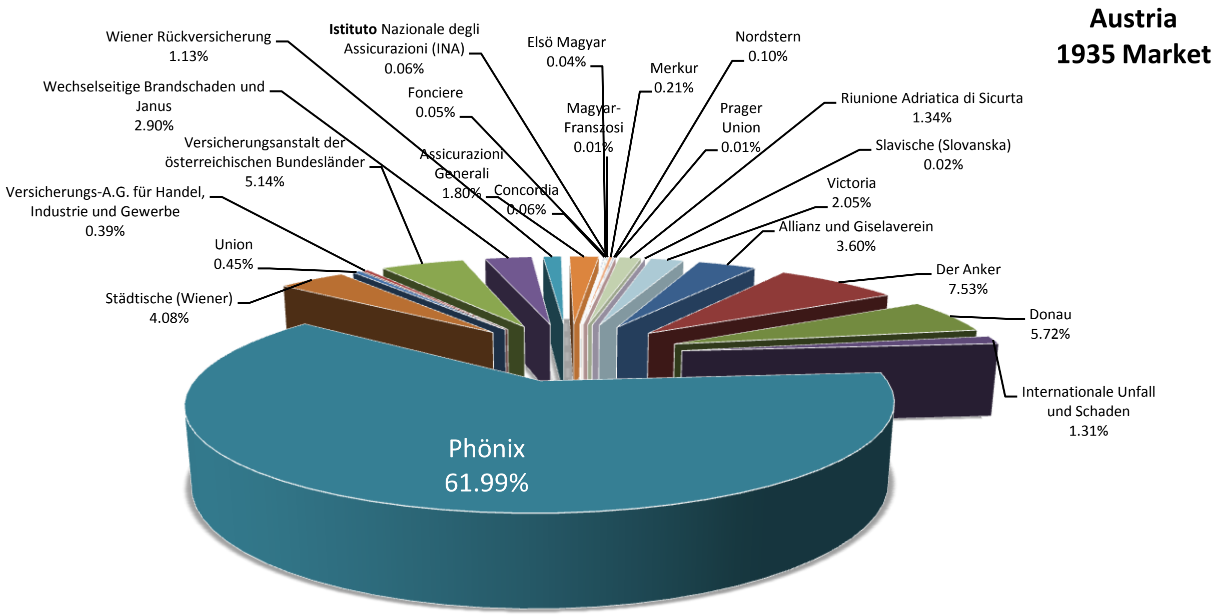

Figure 12

In addition to its dominant position in the domestic Austrian market, Phoenix was also active in twenty-two countries, and was the third largest company (including life and non-life products) in Europe. After World War I, Phoenix managed to escape the worst of the hyperinflation crisis by selling some of its assets in the successor states of the Habsburg empire; the company began an aggressive policy of expansion by taking over small foreign insurance companies, even if these were operating at a deficit or had liquidity problems. Like the German Favag, Phoenix used current income to satisfy losses from the preceding year.

The loss of confidence in Austrian banks that resulted from the Creditanstalt collapse benefited Phoenix by making insurance companies a more attractive investment, as they had not (yet) been discredited. Moreover, Phoenix's General Director Wilhelm Berliner invested in shares and securities in the 1920s, and proved to be quite adept at making money in this non-insurance field.

However, securities trading collapsed during the Great Depression, and Berliner was forced to borrow from banks on the basis of the securities using so-called Lombard accounts (loans on securities). When the Creditanstalt collapsed, Phoenix had major difficulties because of the size of its Lombard accounts. Furthermore, because of increasingly severe currency exchange regulations across Europe, Phoenix could no longer move assets from more profitable branches in one country to less profitable branches in another country. Instead, the company resorted to desperate measures to increase short-term liquidity, such as offering extremely low premium rates and large one-time premium life insurance policies as well as guaranteed yearly 5.5% interest policies.

Berliner's death in February 1936 revealed both wide-scale corruption on the part of leading figures in the Austrian supervisory authority (lists of bribes paid by Berliner and Phoenix to his friends in the Austrian government came to light upon his demise) and the inherent over-expansion and weakness of the company, which had taken on risky and speculative new obligations in order to meet older ones. The financial assets for domestic premium reserves were found to have fallen short by 250 million schillings.[17]

Because Phoenix was such a large company that was active in so many countries, its collapse caused major upheavals in the insurance industry all across Europe. In Austria, where the lessons of the Creditanstalt crisis were still fresh, the government intervened immediately. Legislation was passed to create an insurance fund that was based on contributions from all the other Austrian companies and from foreign companies that did business in Austria; the government did not wish to guarantee any assets the way that it so disastrously had with the Creditanstalt, and preferred to force private interests to take collective responsibility for ensuring that policyholders would be protected.

A special law of April 8, 1936 separated the life and property activities of Phoenix. The former was taken over by a new company, the newly founded Österreichische Versicherungs AG (ÖVAG), and participation was made more attractive by the collective guarantees the government had acquired from other Austrian insurance companies, as well as restrictions imposed on the repurchase and payout of Phoenix insurance policies.[18]

Between 1935 and 1937, the value of the life insurance portfolio in Austria fell by 14%, and that of the total portfolio of Austrian companies (i.e. their activities within Austria, abroad, and in re-insurance) fell by 54%. The Phoenix crisis was a crisis for the entire Austrian life insurance industry, as the burden of the Phoenix reorganization and rescue was born by policyholders of other insurance companies.[19]

ŐVAG took over 214,358 life insurance policies of Phoenix Leben with an insured sum of 868.3 million Schillings, as well as 4,164 pension insurance contracts for annuities in the amount of 3.59 million Schillings. The Phoenix policies were subject to certain restrictions - the terms of insurance contracts were extended by two, three or five years, and the value of the one-time premium payment policies was re-assessed, reducing endowment insurance by 91.3 million Schillings and pension insurance by 1.01 million Schillings.[20] In addition, ŐVAG started business in its own right.

The insurance fund established under the auspices of the Austrian government issued bonds in the amount of 250 million Schillings and transferred this amount to ŐVAG to cover its premium reserves. In order to implement its transactions, the fund was entitled to collect a charge from insurance companies of 5% in the case of life insurance contracts, with the surcharge coming jointly from insurance companies and the policyholders.

As for Phoenix's many foreign operations, various countries dealt with the situation in various ways; in Germany, the Economics Ministry summoned leading insurance industry executives to form a plan to save the German portfolio and established a new company, Isar Lebensversicherungs AG to take over German Phoenix Life policies. Likewise,

[17] Stiefel, p. 31.
[18] Gerald Feldman "Insurance Company Collapses in the World Economic Crisis: The Frankfurter Allgemeine Versicherungs-AG (Favag) and the Austrian Phoenix," Harold James, ed., *The Interwar Depression in an International Context* (Munich: Oldenbourg, 2002), p. 73.
[19] Stiefel, p. 31.
[20] Stiefel, p. 33.

Hungarian insurance companies put up a large guarantee for the Hungarian branch of Phoenix[21]. (Subsequently, the Hungarian portfolio of Phoenix Life was split, with two-thirds going to the Hungarian Elsö Magyar and one-third to Assicurazioni Generali). Likewise, in Czechoslovakia, the state and the insurance industry combined to consolidate the assets of the Czech branch of Phoenix.

The collapse of Phoenix inevitably had catastrophic results for the Austrian insurance industry; whereas in 1935 (the last full year of Phoenix's existence), the industry had collected 222,018,000 schillings worth of life insurance premiums, by the end of 1936, this figure had shrunk by over half to a mere 94,532,000 schillings.[22]

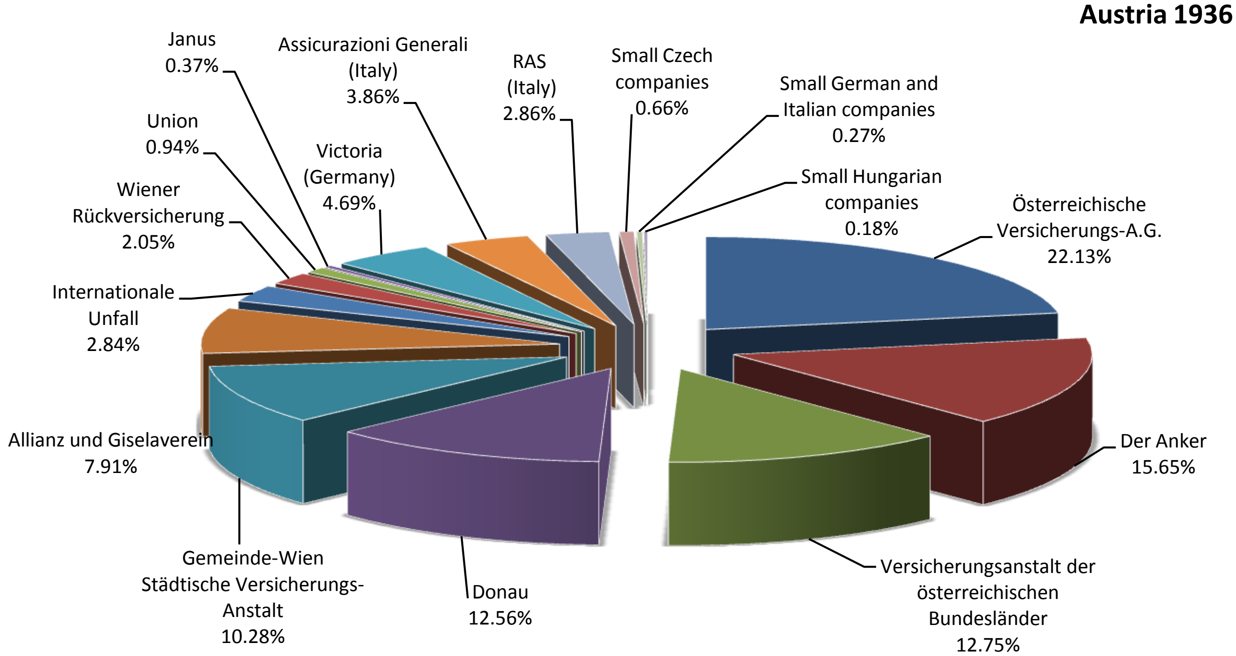

Figure 13 - Market share of individual companies operating in the Austrian insurance market in 1936 as determined by reported direct premium income.

21 Gerald Feldman, *Allianz and the German Insurance Business, 1933-1945,* (New York: Cambridge University Press, 2001), pp. 152.

22 Figures are from *Assekuranz Jahrbuch,* volumes 56 (1937) and 57 (1938). Because of the lag in reporting by regulatory authorities, the statistics are two years behind the publication date (i.e. statistics for the end of 1936 appear in the 1938 volume and so on).

As in Germany, domestic companies still had the lion's share of the insurance market in Austria.

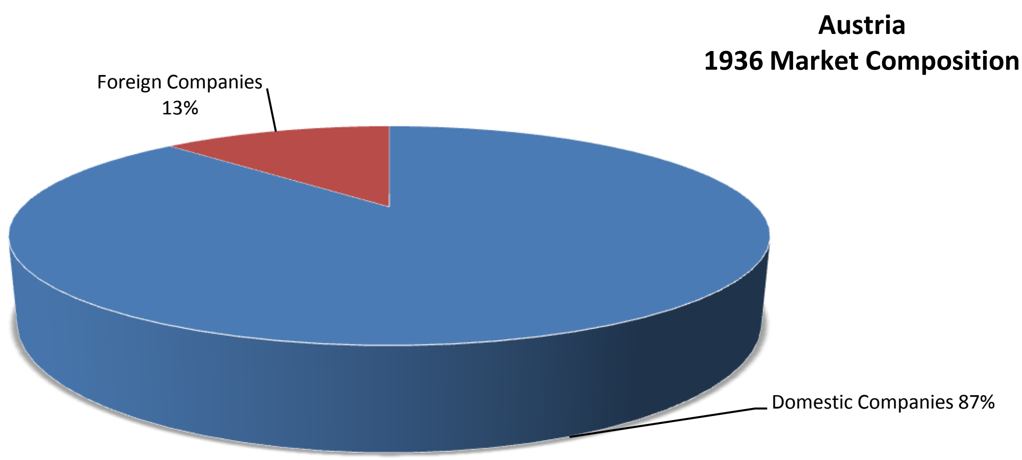

Figure 14

The Phoenix successor ÖVAG, though not able to maintain Phoenix's dominant market share (nor its questionable business practices), remained the largest life insurance company in Austria, with 22.13%, or 23 million schillings of the premium income of the 1936 market. The next largest companies were Der Anker, with 15.65% of premiums paid, or nearly 17 million schillings; the publicly owned Versicherungsanstalt der österreichischen Bundesländer with 12.75% (nearly 14 million schillings); Donau with 12.56% (13.5 million schillings) and Gemeinde Wien-Städische Versicherungsanstalt with 10.28% (11 million schillings).

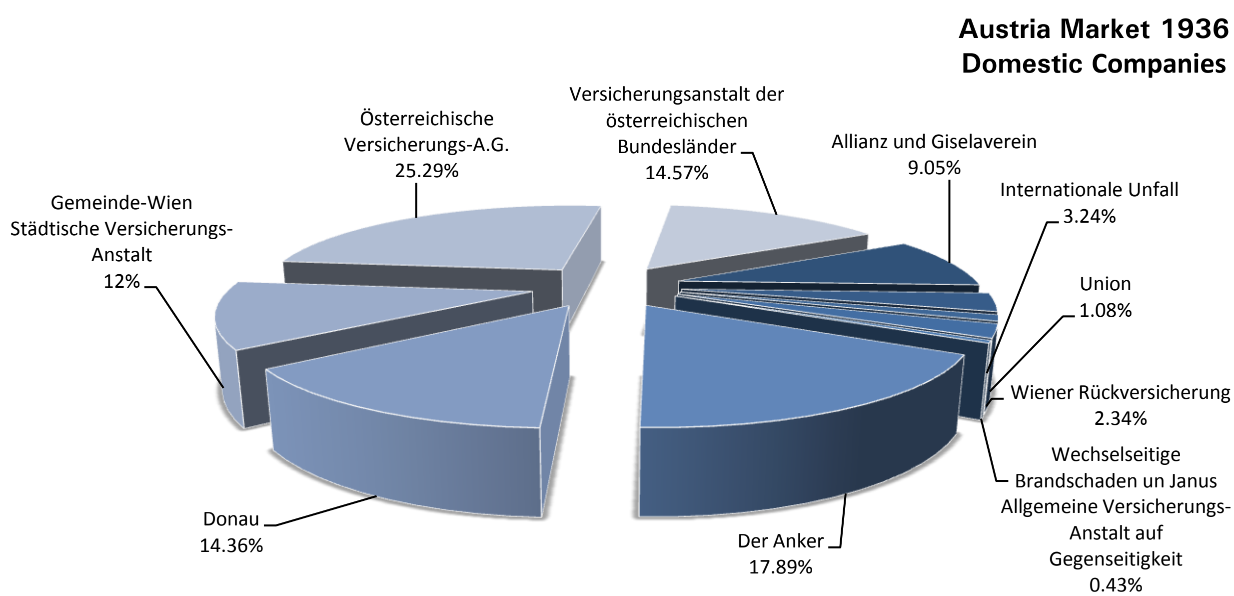

Figure 15

Although foreign companies only comprised 13% of the Austrian market, this was still a far larger percentage than the market share of foreign companies in Germany. The largest foreign company doing business in Austria in 1936 was Victoria of Germany, with 4.69% of total life insurance premiums (in the amount of approximately 5 million schillings). Assicurazioni Generali and Riunione Adriatica di Sicurta of Italy combined received another 6,7% or slightly over 7 million schillings of life insurance premiums paid.

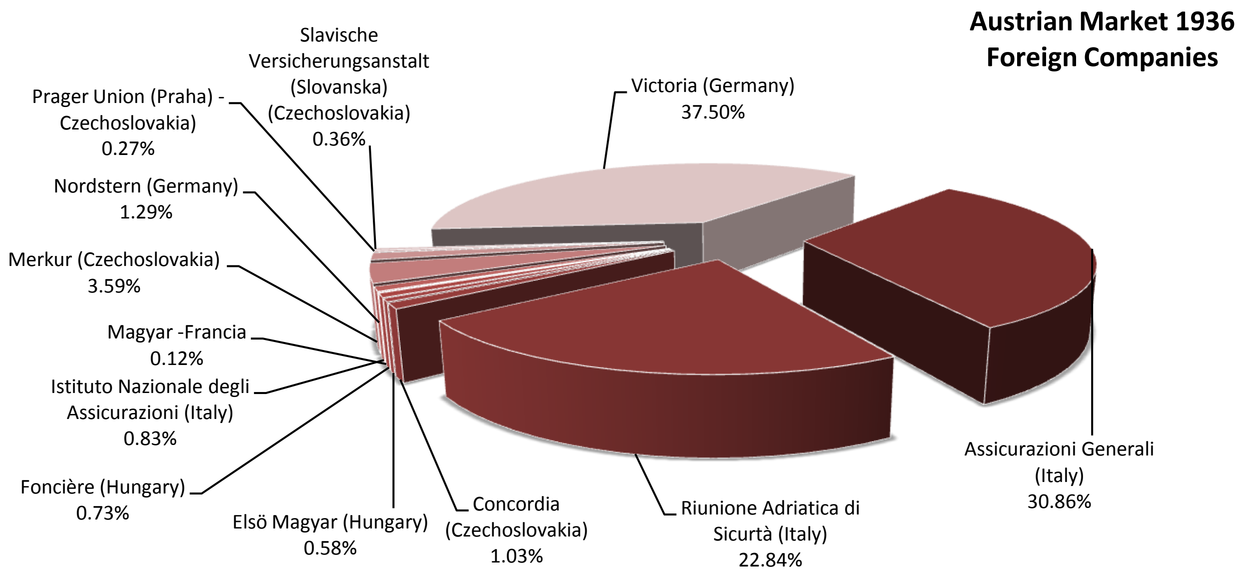

Figure 16

Czechoslovakia

Though 26% of the capital of the Czechoslovak insurance industry came from foreign investors, Czechoslovakia had already passed a law in 1924 forbidding insurance companies to denominate their policies in currencies other than Czechoslovak crowns (although in practice, some policies issued by foreign companies continued to be denominated in US dollars or Swiss francs). In 1933, the Czechoslovak Ministry of the Interior issued a further decree regarding policies denominated in gold, which were now converted into Czechoslovak crowns. Finally, in 1939, the Ministry of the Interior specified the conversion rates for the remaining foreign-currency denominated policies at 1 USD = 23.235 Kĉs and 1 Swiss Franc at 6.56 Kĉs.

The Czechoslovak market was composed of nearly 30 domestic companies as well as substantial representations of foreign companies.

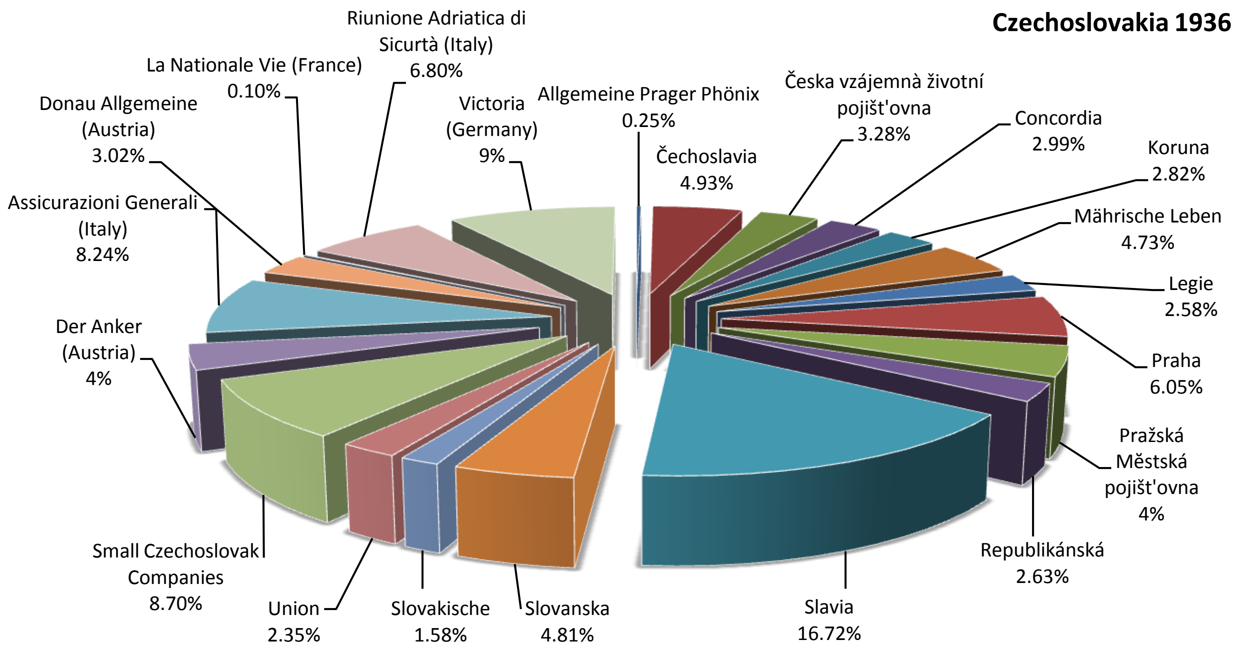

Figure 17 - Market share of individual companies operating in the Czechoslovak insurance market in 1936 as determined by reported direct premium income.

Premium income for the Czechoslovak market in 1936 was nearly 633 million Czechoslovak crowns, of which nearly 70% came to domestic Czechoslovak companies, many of which had only begun doing business after the formation of the Czechoslovak state in 1918.

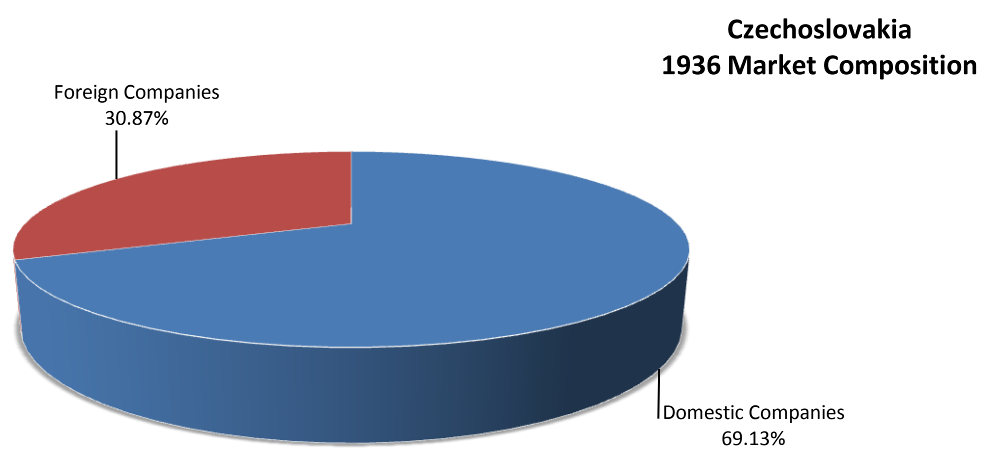

Figure 18

Of the myriad domestic companies (many with confusingly similar names such as Slovanksa, Slavia, and Slovenska), the largest by market share was the Slavia insurance company, which collected nearly 106 million Czech crowns worth of premiums in 1936.

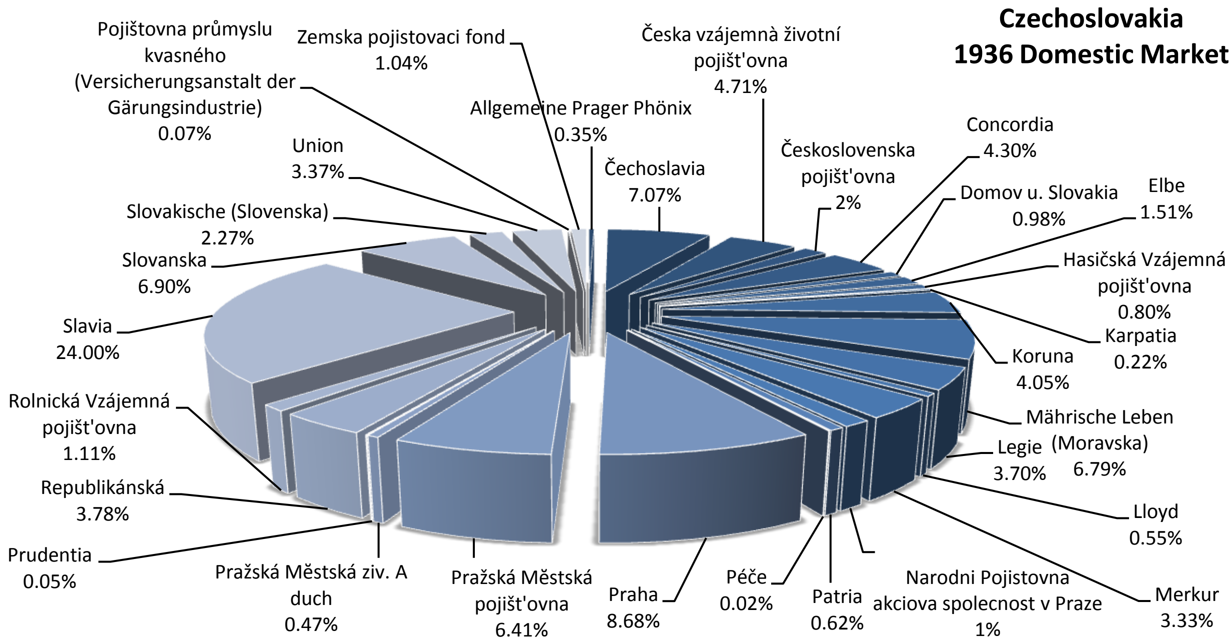

Figure 19

Of the foreign companies doing business in Czechoslovakia in 1936, the largest was the German Victoria zu Berlin, which collected 58 million crowns worth of premiums. The two Italian insurers Riunione Adriatica di Sicurta and Assicurazioni Generali collected approximately 100 million crowns between them in direct premium income in 1936.

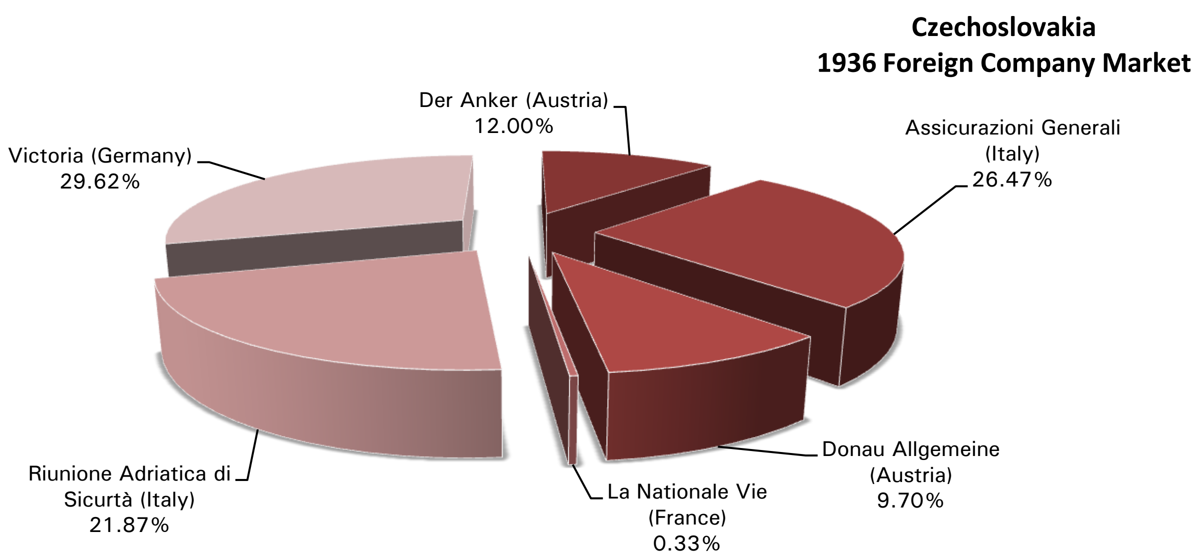

Figure 20

Poland

Poland, despite its large size, had a very small and underdeveloped insurance market, with only about a quarter million life insurance policies for a population of 32 million. The total premiums paid for Poland in 1936 were 32 million Zloty, or just over $6 million 1936 US dollars.

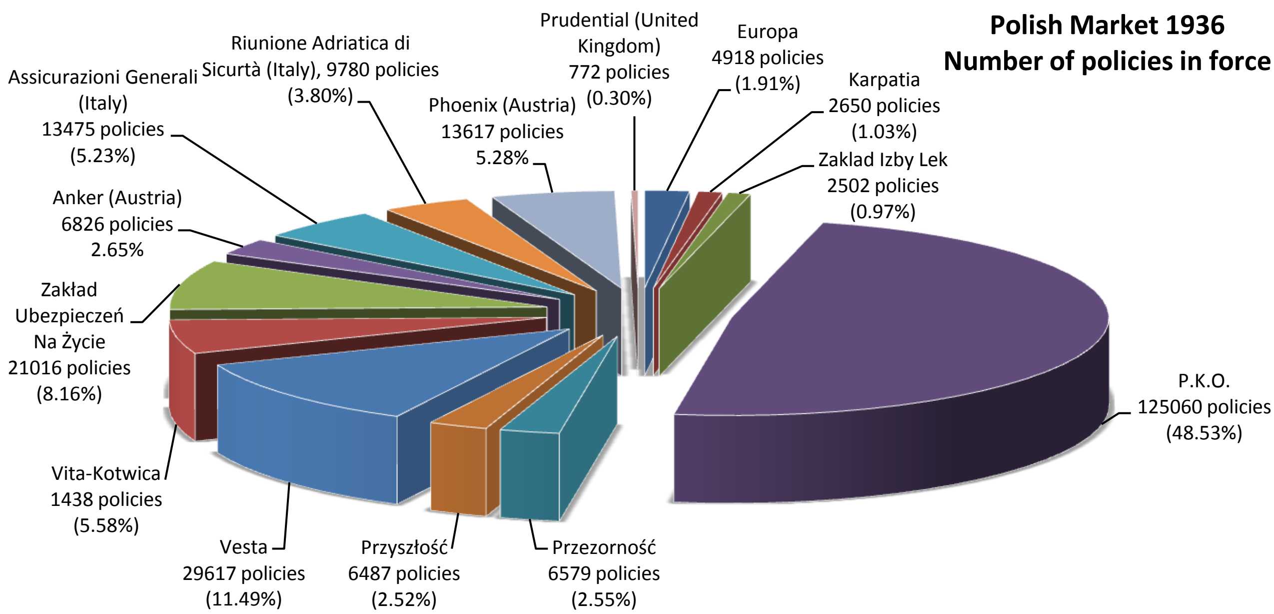

Figure 21 - Market share of individual companies of the 1936 Polish insurance market determined by the number of life insurance policies in force.

The largest Polish life insurance company by far was the publicly owned P.K.O., which issued 48.5% of insurance policies current in 1936. Other Polish insurance companies like Vesta and Zaklad Ubespieczien na Zycie and Vita Kotwica issued a further 20% of insurance policies.

However, the policies issued by the P.K.O. were for relatively small sums, as can be seen from the market share determined by premium receipts and by reported insured sums. Although the P.K.O. issued 48% of all policies in force in 1936, it only received 25% of all premiums paid.

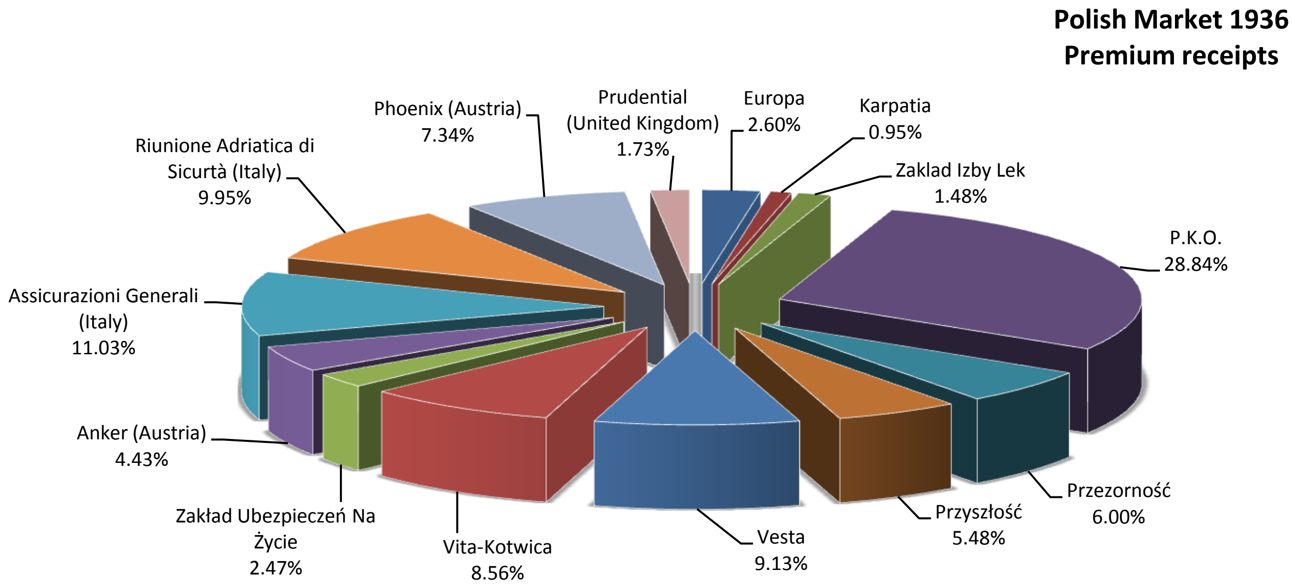

Figure 22 - Market share of individual companies of the 1936 Polish insurance market determined by the reported premium receipt (in zloty).

The average insured sum of a P.K.O. policy, was only 1400 zloty (or $276 in 1936 dollars). Indeed, it was likely the small size of the P.K.O. policies (and of the necessary premiums) that encouraged more people to purchase from this publicly owned company.

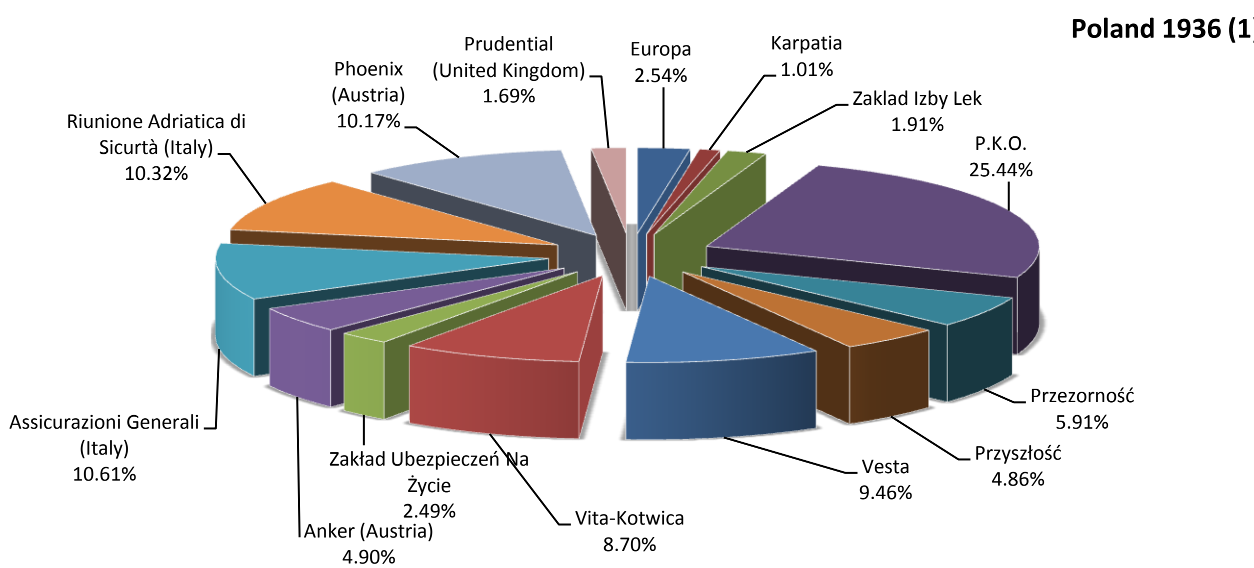

Figure 23 - Market share of individual companies of the 1936 Polish insurance market determined by the reported insured sums.

Not surprisingly, given the relatively small and underdeveloped Polish market, foreign companies had a sizeable presence within the Polish market.

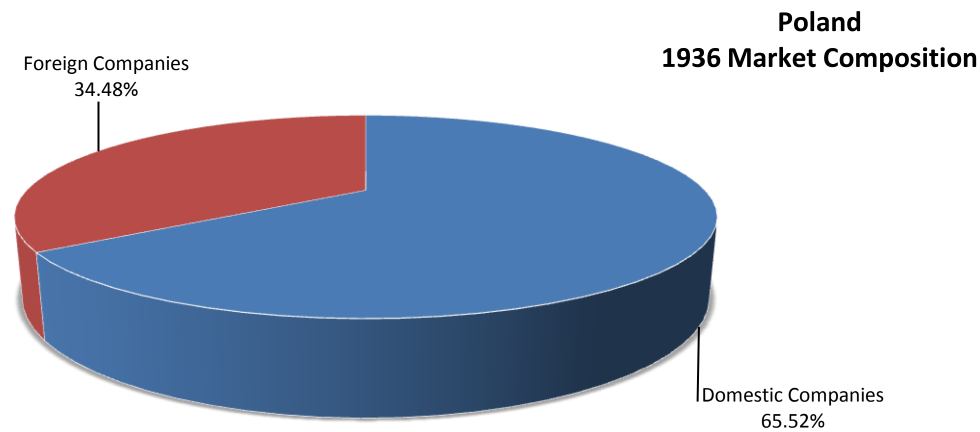

Figure 24

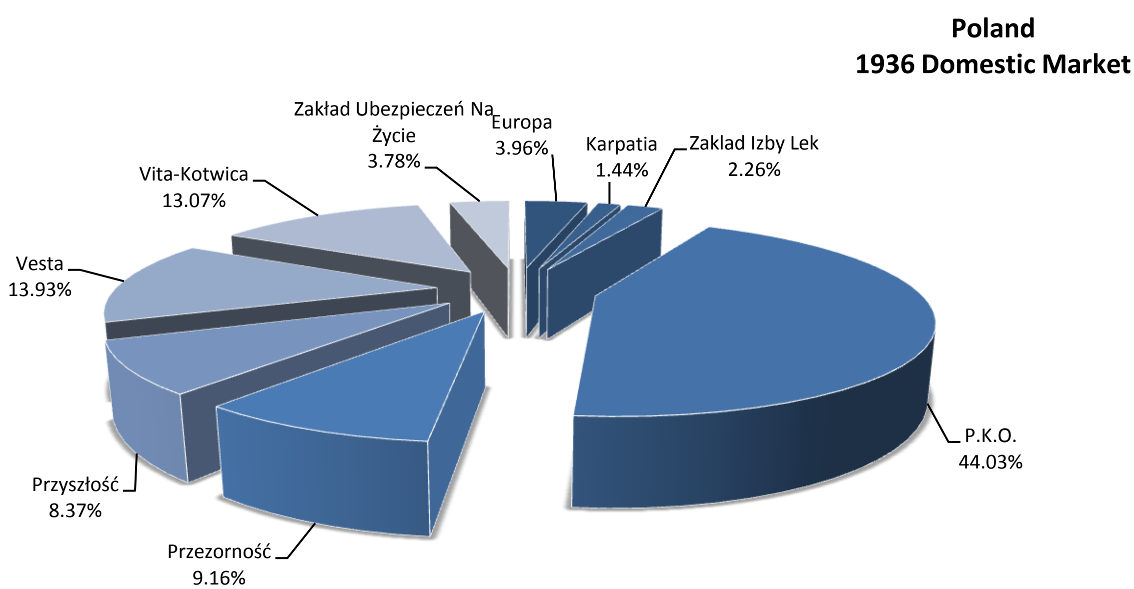

Figure 25

The largest foreign insurers in Poland were the Italian companies Assicurazioni Generali and RAS, having issued 13,475 (or 5.23%) and 9,780 (or 3.8%) of all extant policies respectively, although they each received over 10% of premiums paid. The policies issued by foreign companies tended to be of higher face value than those issued by Polish companies. The average insured sum of a Generali policy was 5,687 zloty (or $1,072.11 1936 US dollars), that of a RAS policy was 7,618.61 zloty (or $1,436.11 1936 US dollars), and that of a Prudential UK policy was 15,777.20 zloty or $2,974 1936 US dollars, although Prudential only issued 772 policies in Poland, a mere 0.3% of the market.

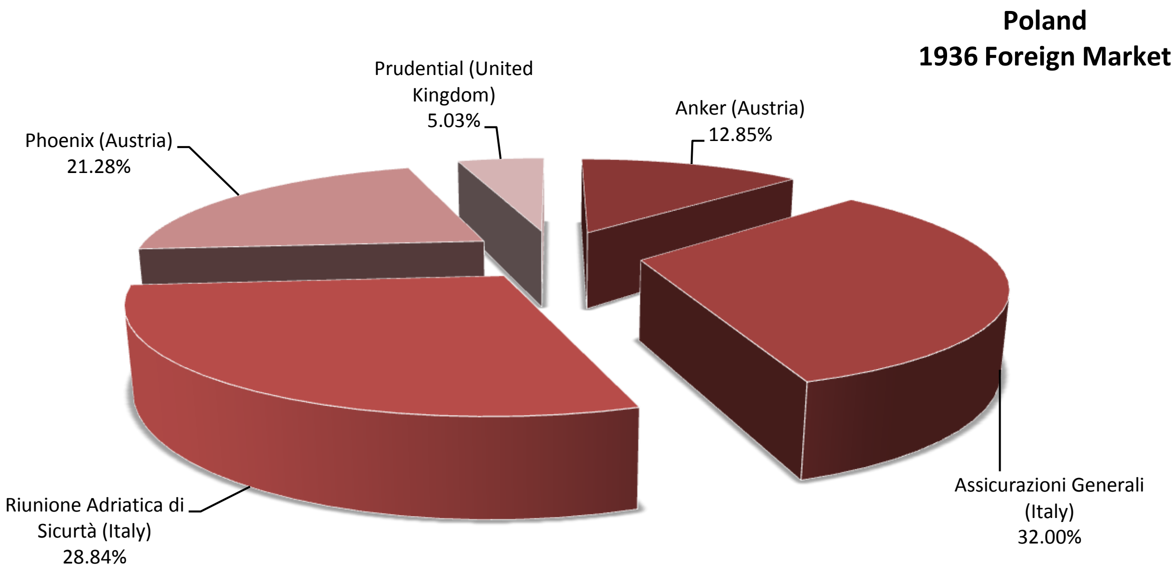

Figure 26

In Poland, the government decree of July 1934 specified that all payments resulting from insurance contracts originally denominated in foreign currency would henceforward be made in Polish currency. In September 1939, the Polish government stipulated that all policies denominated in gold zlotys would be converted into paper zlotys at parity. In 1935, 65% of capital investment in insurance companies came from abroad.

Hungary

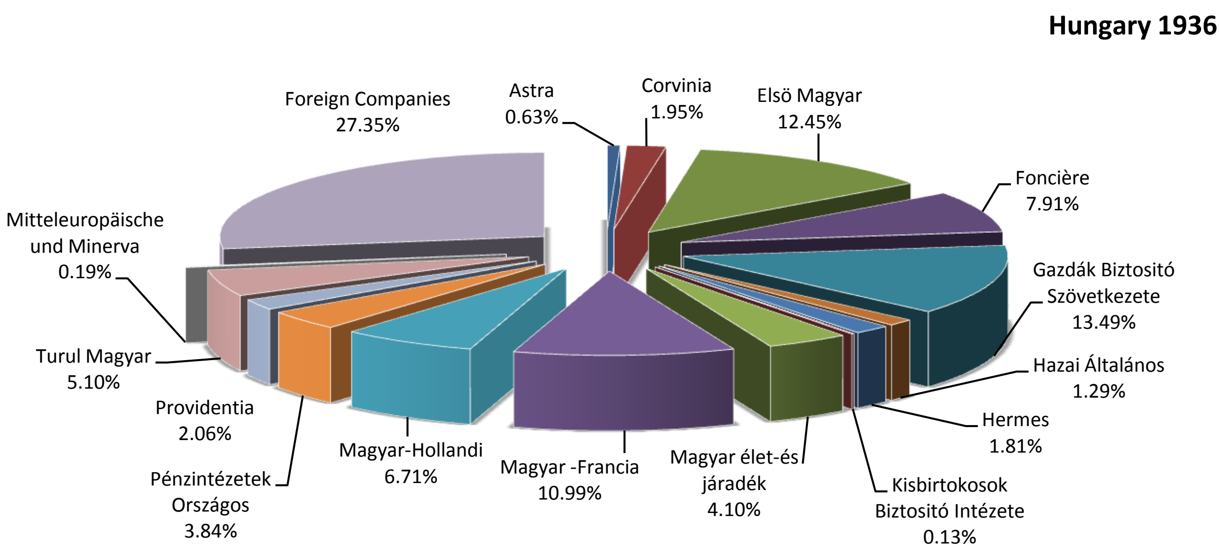

Figure 27 - Market share of individual companies operating in the Hungarian insurance market in 1936 as determined by reported direct premium income.

Although Hungary's insurance market was not quite as dominated by foreign companies as that of Poland, over a quarter of the Hungarian market in 1936 was comprised of foreign companies. These companies included the Italian insurers RAS and Generali primarily, although the German Victoria company also did business in Hungary.

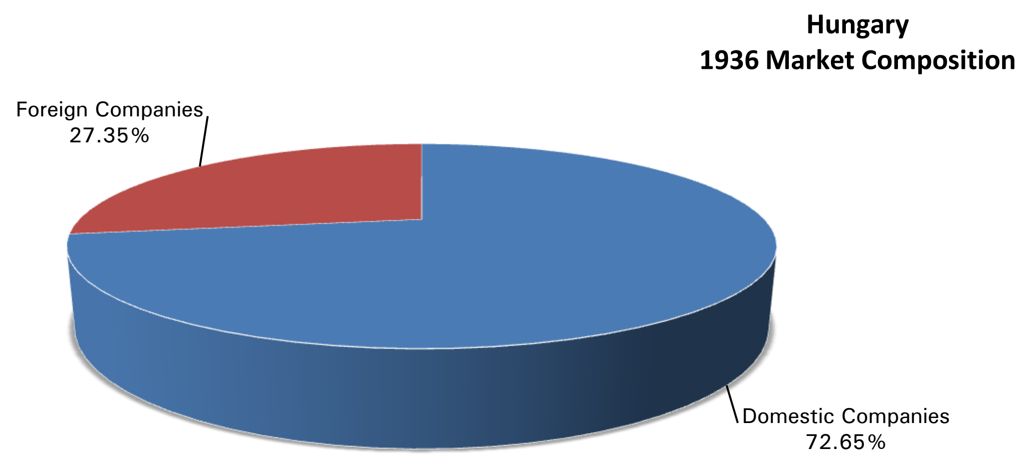

Figure 28

Of the domestic companies, Gazdak Bisztozito (the agriculturalists insurance company) received 13.5% of premium income; Elsö Magyar received 12.5% of the premium income; and Magyar Francia received nearly11% of premium income (though Magyar Francia was, in fact, a subsidiary of the Italian RAS).

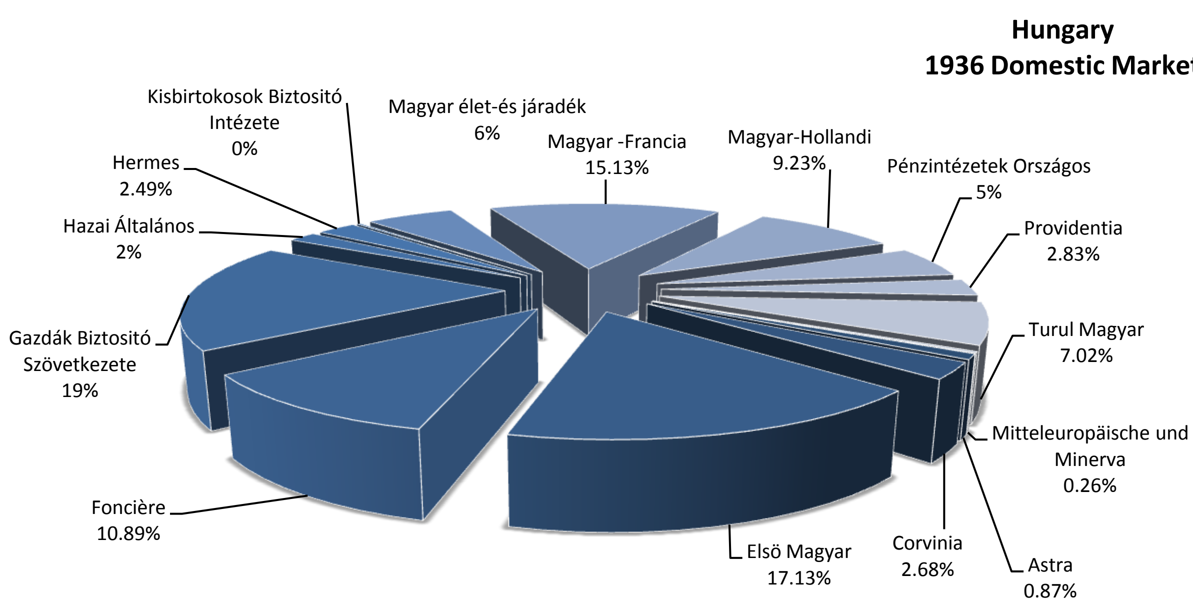

Figure 29

Hungary instituted compulsory conversion of insured sums denominated in foreign currencies in 1936, at the rate of 5.19 pengö to the dollar.[23]

[23] Hungarian law nr. 4050/1936 issued on June 26, 1936.

Southeastern Europe

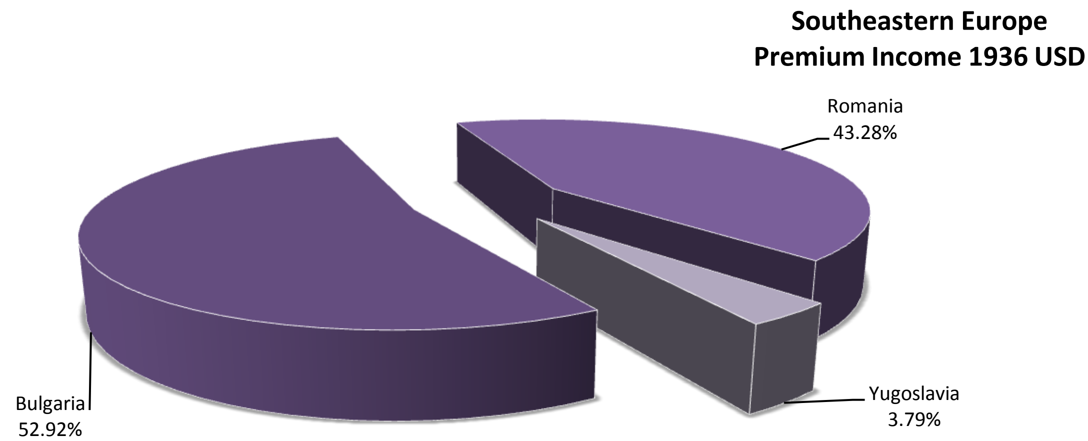

Figure 30

Romania

Foreign companies were very dominant in the Romanian insurance market in 1936. Although neither RAS (8.83% of the market) nor Victoria (9.43% of the market) nor Generali (which owned Generala - 13.02% of the market) were as large as the two biggest Romanian companies (Asigurarea Romaneasca, with 15.28% of all premium income and Steaua Romaniei with 14.68% of all premium income), nevertheless, combined they constituted 30% of the market. As with the foreign companies in other East European markets too, the foreign companies generally tended to issue larger policies. Romania introduced currency restrictions in 1937.

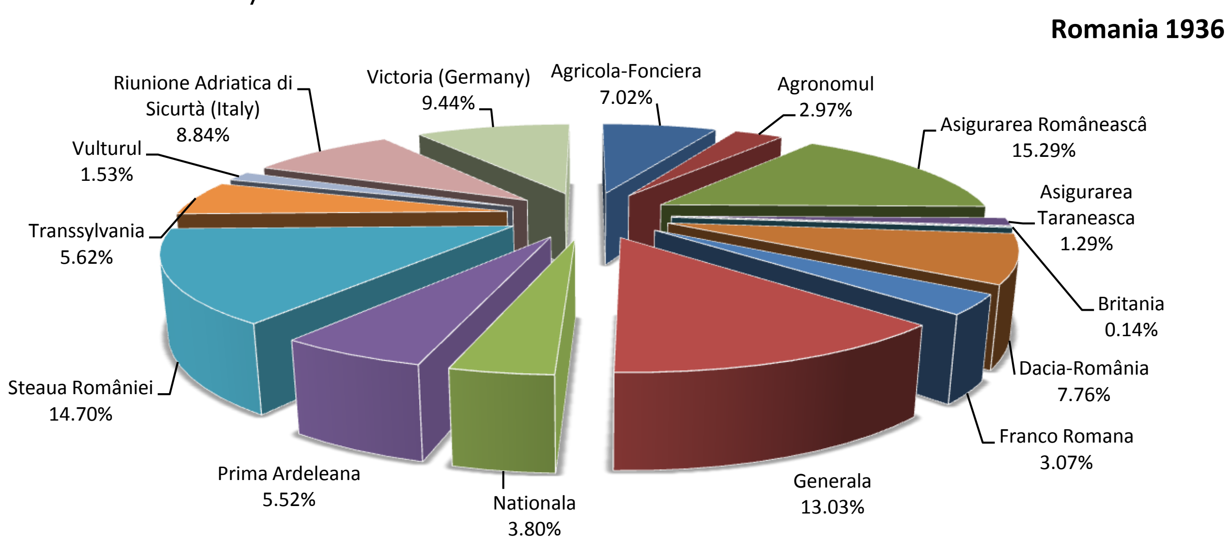

Figure 31 - Market share of individual companies of 1936 Romanian insurance market as determined by reported direct premium income.

Yugoslavia

The two Italian insurers RAS and Generali, which were based in Trieste just across the Yugoslav border with Italy, and which had a long-standing presence on the Dalmatian coast of Yugoslavia, had a dominant position in the Yugoslav insurance market in 1936 - RAS received 12.81% of the direct premium income on life insurance policies, while Generali received 12.96%. Other foreign companies represented in the Yugoslav market were L'Union Vie of France (4%); La Nationale, also of France (2.41%) and Der Anker (4.55%). Unsurprisingly perhaps, then, we can note that 52% of investment in Yugoslav insurance companies came from abroad. In 1938, Yugoslavia introduced compulsory conversion of insured sums denominated in foreign currencies into Yugoslav dinars.

The largest domestic company was Croatia, with 12.31% of the premiums paid, followed by Jugoslavia with 8.04%.

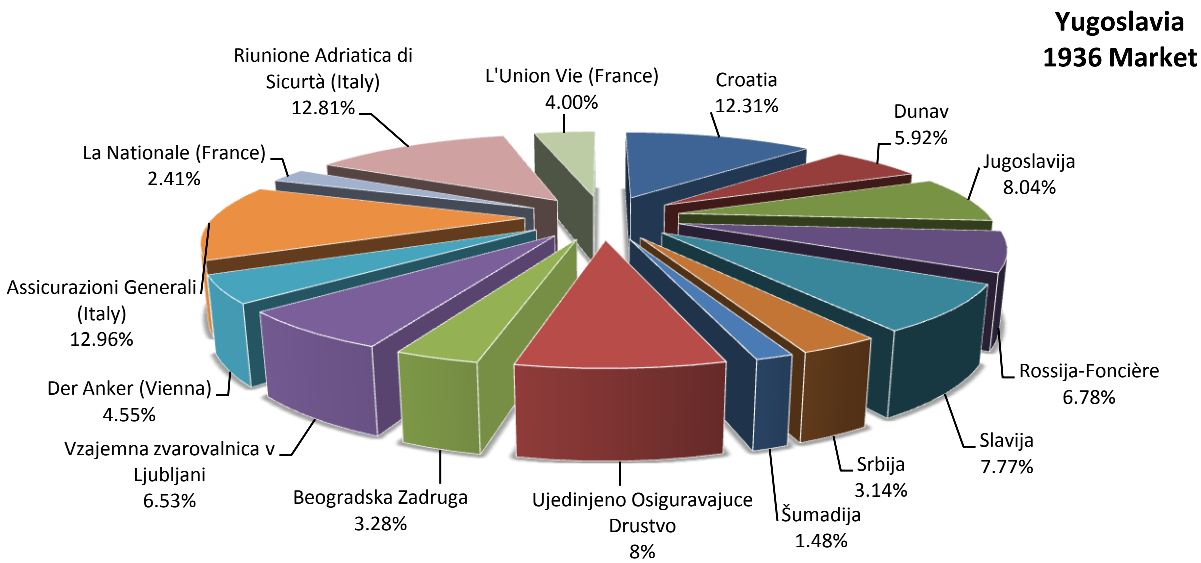

Figure 32

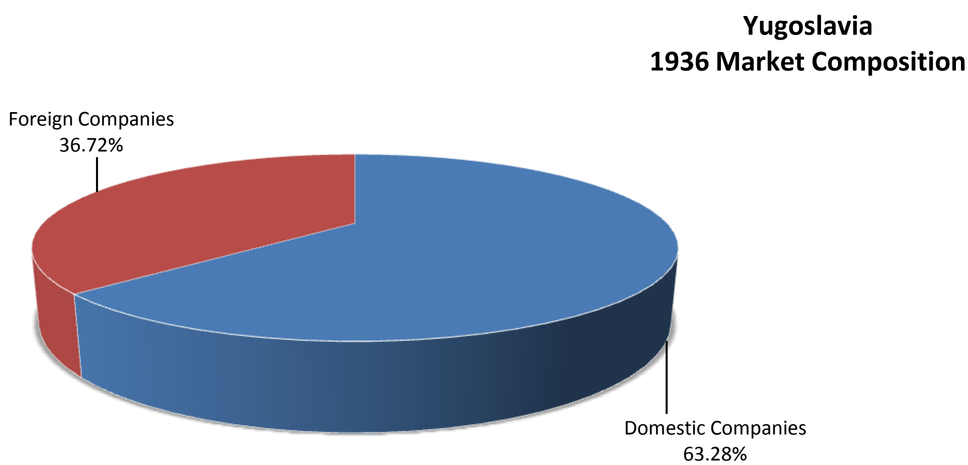

Figure 33

Bulgaria

In contrast to Yugoslavia, Bulgaria had a relatively large number of domestic companies selling life insurance. Some of these companies, such as the White Collar Workers' Insurance Union, the Teachers' Insurance Fund and the Railway Workers Fund, were either publicly owned or started by peak associations of the industry in question. Although there were a number of foreign companies present in Bulgaria (Victoria, L'union of France, Phenix Espagnol, RAS, La Nationale, Assicurazioni Generali), none of them accounted for more than 2% of premium income in the Bulgarian market. The largest foreign company active in Bulgaria was Victoria of Germany, but its 2% of premium income was dwarfed by the 28.8% market share of the Mutual Life Insurance Fund and the 20.3% market share of the White Collar Workers' Union.

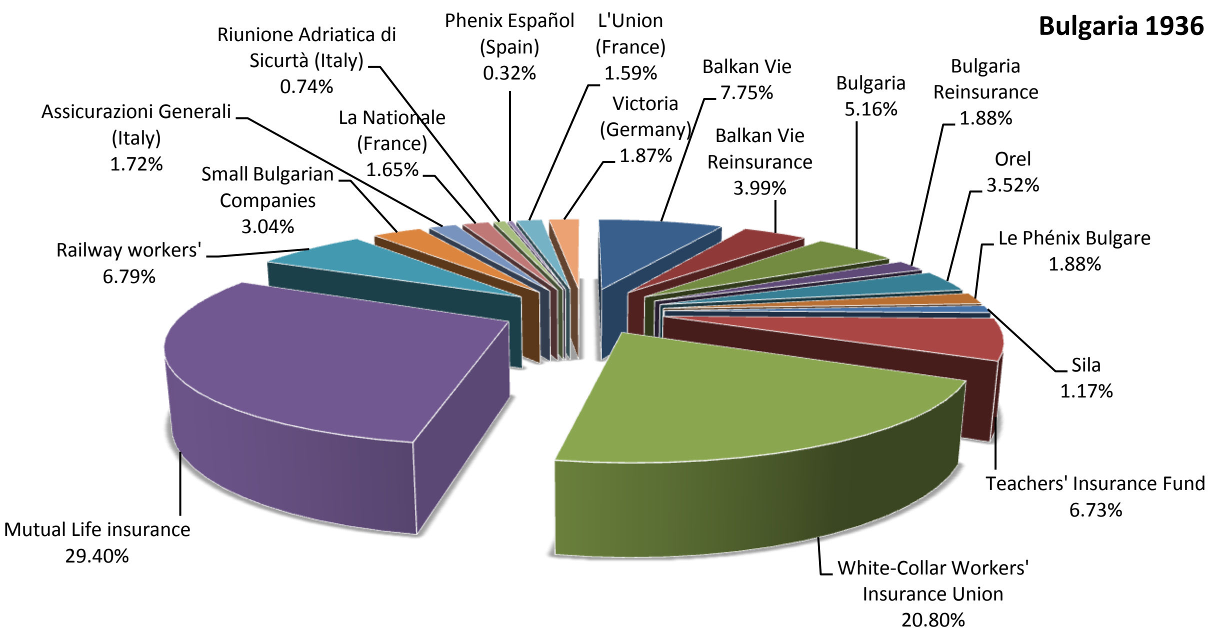

Figure 34 - Market share of individual companies operating in the Bulgarian insurance market in 1936 as determined by reported direct premium income.

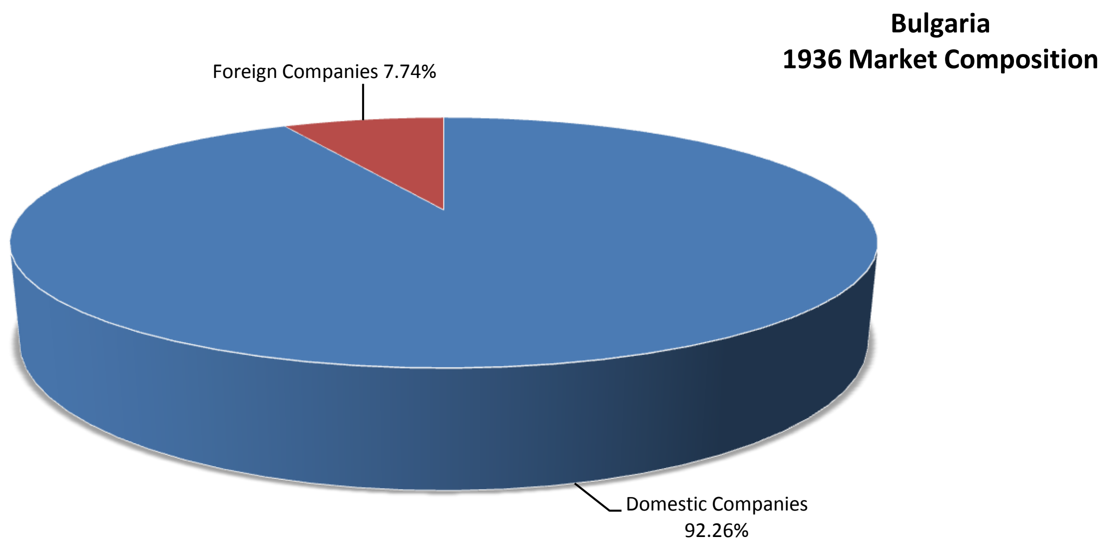

Figure 35

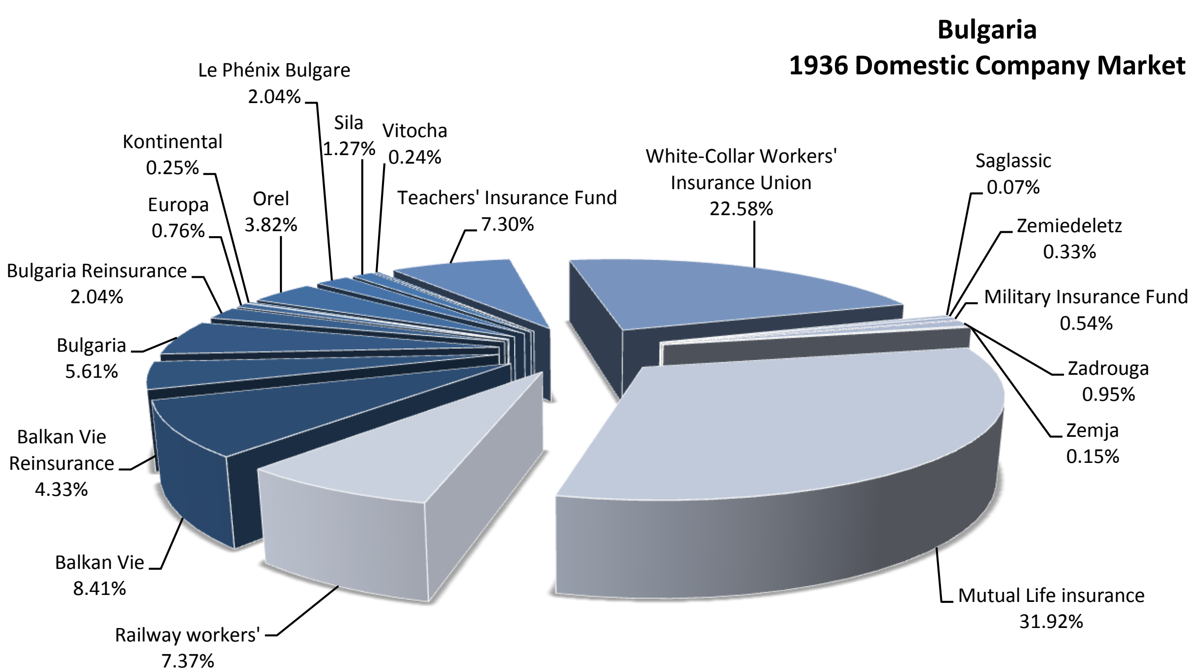

Figure 36

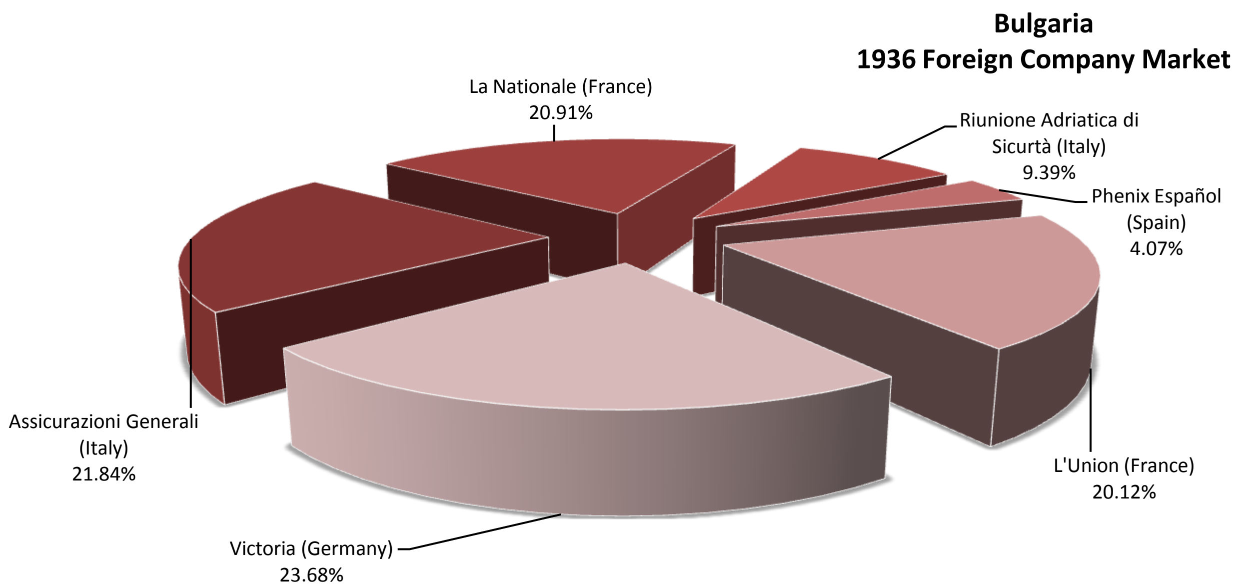

Figure 37

The Baltic Countries

None of the three Baltic countries had a particularly large life insurance market (the Free City of Danzig alone had a life insurance market double the size of that of Estonia, the largest market in the Baltic countries). The direct premium income of the Estonian life insurance market in 1936 was less than 500,000 US dollars, while those of Latvia and Lithuania were half of that sum.

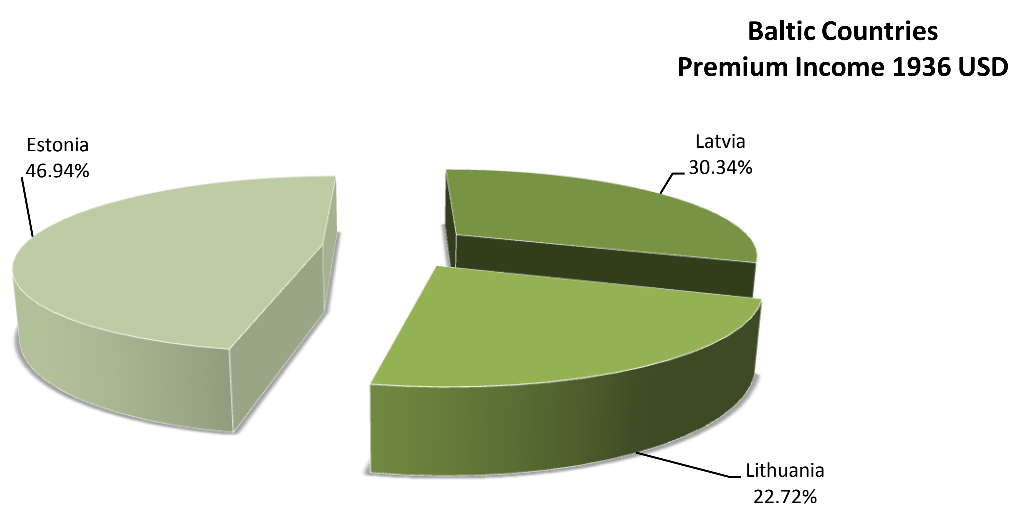

Figure 38

The Latvian market was exclusively composed of domestic companies, the largest of which (Pirma Rigas) came under the control of the Latvian Finance Ministry in the mid-1930s.

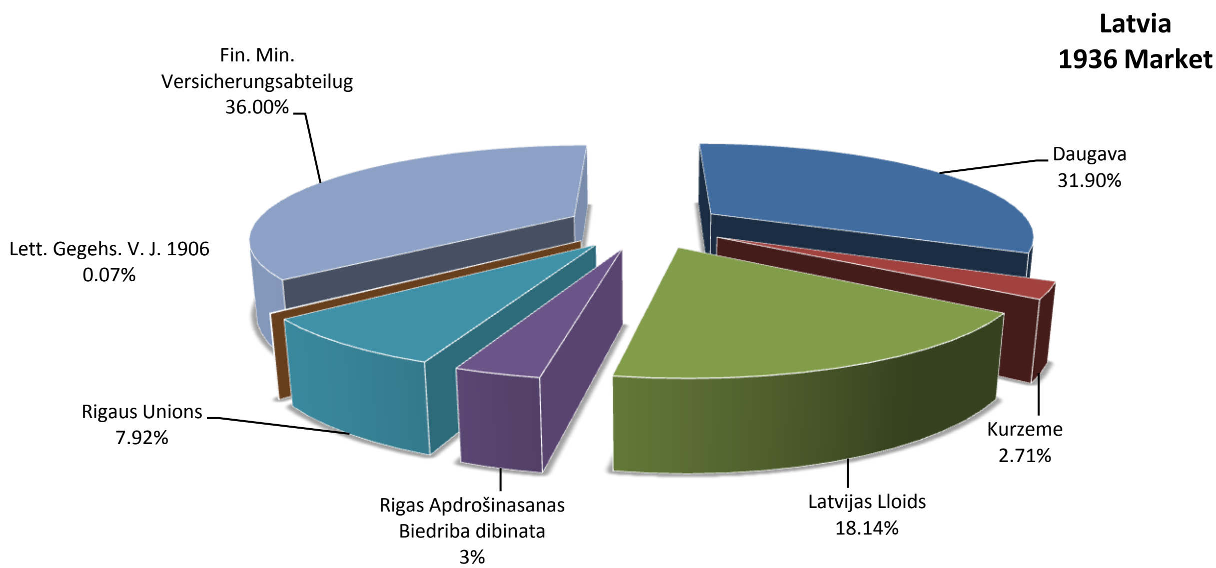

Figure 39

Lithuania had three domestic insurers, who accounted for about 90% of the Lithuanian market: Lietuva, Valstybes Draudimo Istaiga and Lietuvos Lloydas.[24] Two foreign companies, Berlinische Leben and Victoria zu Berlin, both German, also did business in Lithuania.

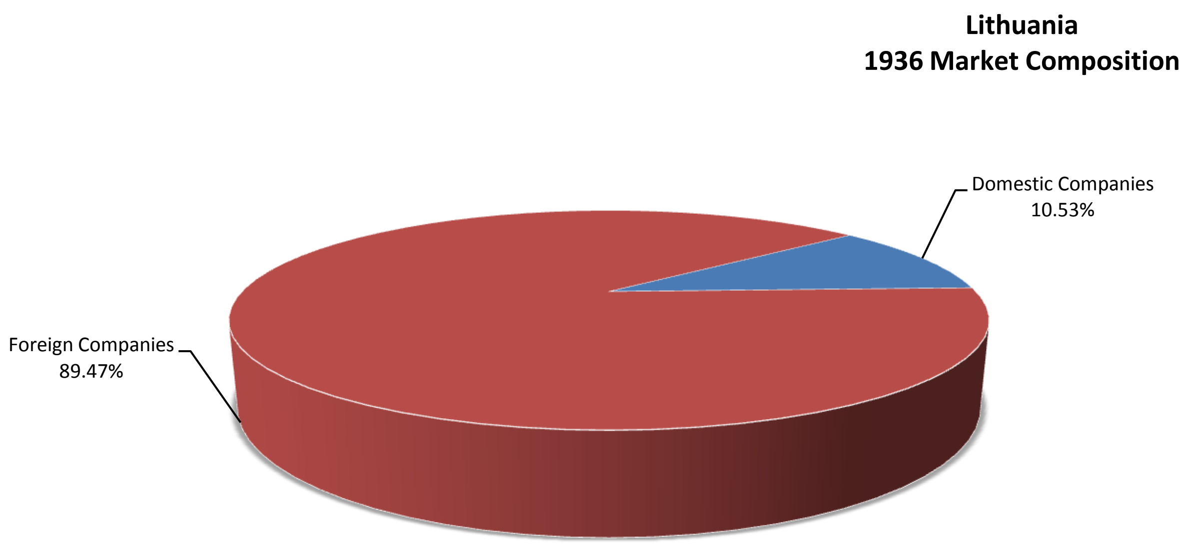

Figure 40

[24] Although various domestic insurance companies in Central and Eastern Europe took the name "Lloyds" none of them was affiliated with the famous marine insurance company Lloyds of London, which did not sell life insurance in any case.

The Insurance Industry and the Nazis

Political Conformity and Power Struggles – the Insurance Industry in Nazi Germany, 1933-1945

The insurance industry in Nazi Germany was organized into three major branches: the companies owned and/or administered by the German Labor Front (*Deutsche Arbeitsfront* - DAF); the public insurance companies; and the private insurance companies that had dominated the market in the 1920s and 1930s.

The German Labor Front (DAF)

Labor unions, with their symbolic ties to the Marxist class struggle, were among the first targets of the Nazi program of *Gleichschaltung* (enforced political conformity with the elimination of any competing allegiances as its goal). Although the majority of unions were affiliated with parties on the left of the political spectrum (i.e. the now-banned Social Democratic and Communist parties), the unions affiliated with the non-Marxist Catholic *Zentrum* (Center) party were also eliminated. In their place, the German Labor Front (*Deutsche Arbeitsfront* - DAF) was established on May 10, 1933, as a monolithic labor organization under the leadership of Dr. Robert Ley, the Nazi *Gauleiter* of the Rhineland.

Like the corporatist labor organizations of Mussolini's Italy, the German Labor Front sought to unite laborers to work together for the common good and to establish societal harmony; unsurprisingly, this vision of community failed to include Jews, socialists or others considered by the Nazis to be outside the "community" (*Volksgemeinschaft*) by virtue of race, sexuality or political affiliation. Thanks to its absorption of existing labor unions, the DAF included more than 20 million workers; in 1935, Ley claimed that Nazi Germany was the first country in Europe to abolish the class struggle. In addition, the DAF had an enormous budget and owned extensive properties, including a number of insurance companies.

The tradition of having insurance companies affiliated with unions dated back to the late nineteenth century; these companies offered so-called "*Volksversicherung*" (life insurance policies of small value) to union members or to members of a specific social class or religious grouping. The two largest of these companies were Volksfürsorge and Deutsche Ring; when the labor unions were dissolved on May 2, 1933, and their membership incorporated into the DAF, Volksfürsorge and Deutsche Ring were incorporated into the DAF's insurance group, where they formed the two largest insurance companies within the group.[1]

The Volksfürsorge was founded in December 1912 as an offshoot of the German labor union movement and remained a part of this subculture during the Weimar period. By 1932, the company had 2.25 million life insurance contracts, composed almost exclusively of "small life policies" (*Kleinlebensversicherungen)* with premiums of 1 or 2 RM per month.

[1] Arno Surminksi, *Versicherung unterm Hakenkreuz*, (Berlin: Ullstein Buchverlag, 1999), pp. 69-70.

Most of the employees and directors of the company were members of the Social Democratic Party.[2]

The takeover of the Volksfürsorge was perhaps the most spectacular of the DAF campaigns. Nazi stormtroopers (*Sturmabteilung* - SA) occupied the Volksfürsorge's Hamburg head office on May 2, 1933. The members of the supervisory board were told to vacate their offices on that same day. A Nazi party administrator took over the leadership of the company, and Robert Ley became a member of the board of the company. By 1936, 915 of the company's employees belonged to the DAF and a remaining 70 employees were forced to join before the end of the year.[3] Despite the DAF's close ties with the Nazi party, Volksfürsorge continued – at least for a time – to provide insurance to Jewish clients, with the reasoning that it would be "a shame if Jews transferred their premiums to foreign companies doing business in the German Reich."[4]

Partially because of their political affiliations and close ties to the Nazi party, the DAF companies did above-average business in the period between 1933 and 1939. During the period 1933-1936, the premium income of the entire life insurance branch rose by 26.7%, but the Volksfürsorge's premium income rose by an astonishing 62% during the same period.[5] By 1939, Volksfürsorge had become the largest German insurance company in terms of policyholders, and was second only to Allianz in terms of insured sums.[6] When Volksfürsorge celebrated its 30th anniversary in 1943, the company could boast of 7.1 million policyholders in various branches of the insurance industry (such as health, pension, disability, etc.); it administered 15% of all German life insurance policies and took in 10% of all premiums paid for life insurance.[7]

The takeover of Deutsche Ring was less dramatic, mostly because the company was close to the Nazi party before 1933. Affiliated with the National Association of Commerical Employees (*Deutschnationaler Handlungsgehilfenverband* – DHV), a conservative union of white-collar workers, Deutscher Ring had already signed a contract with the Nazi party administration in 1929, whereby the party agreed to encourage members to purchase their insurance through Deutsche Ring. In 1931, Deutscher Ring was advertising extensively in Nazi party publications and had representatives at the party's local meetings. In addition, Deutscher Ring had a so-called "*Stahlhelm-Versicherung*" – collective insurance for the approximately half-million members of the right-wing organization of soldiers who had fought on the front lines from First World War.

Unlike the Volksfürsorge, Deutscher Ring refused to sell insurance to Jewish policyholders even before the Nazi takeover of power, but as German power expanded throughout Europe in the late 1930s, Deutscher Ring took over insurance companies with sizeable Jewish life insurance portfolios. Between 1934 and 1939, thanks in part to its

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[2] Ingo Böhle, "Die Volksfürsorge Lebensversicherungs AG – ein Unternehmen der Deutschen Arbeitsfront (DAF) im 'Dritten Reich'", *Zeitschrift für Unternehmensgeschichte*, 45/1, 2000, p. 51.
[3] Surminski, p. 70-71.
[4] Volksfürsorge-Vorstandssitzung, 11.7.34, Volksfürsorge-Buchhaltungs-Archiv. Quoted in Ingo Böhle, "*Juden können nicht Mitglieder der Kasse sein": Versicherungswirtschaft und die jüdischen Versicherten im Nationalsozialismus am Beispiel Hamburg.* Hamburg: Landeszentrale für politische Bildung, Hamburg: 2003 Landeszentrale für politische Bildung, 2003.
[5] Ingo Böhle, "Die Volksfürsorge Lebensversicherungs AG", p. 59.
[6] Ingo Böhle, "Die Volksfürsorge Lebensversicherungs AG", p. 60.
[7] Ingo Böhle, "Die Volksfürsorge Lebensversicherungs AG" p. 49.

control of the group insurance policies offered by the DAF to its members, Deutscher Ring increased its portfolio by 122%.[8]

The insurance companies represented through the DAF were frequently at odds with large private insurers like Allianz and Victoria. According to the DAF, insurance companies were only the trustees of the insured person's money and the private insurers' imperative to seek profits was seen as damaging to the interests of the German workers.[9] During the twelve years of the Third Reich, the DAF eventually administered a considerable insurance empire; in addition to its six life insurance companies,[10] which profited substantially from their closeness to the Nazi party and grew at above-average rates, it also founded the Deutsche Sachversicherung AG on December 31, 1936, to handle the non-life components of the insurance companies taken over by the DAF. Again, because of the advantages of the DAF's position within the hierarchy of the party, the Deutsche Sachversicherung AG quickly became the preferred company for old-age insurance and dominated that field.

Although the insurance companies owned by the DAF were technically joint-stock corporations for private insurance, in practice, they operated as anti-capitalist opponents of the private insurance industry, which felt itself threatened by the DAF's influence no less than by that of the actual public insurance companies. Because of the sheer volume of policies that the DAF companies (Volksfürsorge in particular) controlled, with the takeover of these companies, the DAF became a major player in the German insurance market during the 1930s and into the war years.

Public Insurance Companies

The public insurance companies consisted of sometimes centuries-old provincial insurance institutions,[11] which had often operated as monopolies in the non-life sector, as well as several life insurance institutions founded at the beginning of the 20th century. They characteristically operated only at the provincial level, in which they dominated specific types of insurance, and during the period of the Weimar Republic, were closely associated with the national-conservative groups in the political arena.[12]

Tensions had always run quite high between the public and private insurance companies; in the mid-19th century, the public insurance companies had sought to abolish private fire insurance, and after the founding of the public life-insurance company, private insurers banded together to boycott reinsurers who did business with the public company, forcing it to create a reinsurance company of its own. The public companies denounced

[8] Ingo Böhle, "Die Volksfürsorge Lebensversicherungs AG", p. 61.

[9] Allianz sued Deutscher Ring for a statement made by the latter company in its 1931 annual report that unlike "ordinary" insurance companies, Deutscher Ring was representing the interests of the insured person and by extension those of society as a whole. Deutscher Ring insinuated that policyholders had been deceived in their trust, and that they were the "easy victims of profit-hungry directors and dividend-hungry investors." Eventually the cases found its way to the high court, which ruled against Deutscher Ring in July 1933. See Surminski, p. 74.

[10] These six companies were: Deutscher Ring; Volksfürsorge; Ostmärkische Volksfürsorge (Vienna); Sudetendeutsche Volksfürsorge (Reichenberg – now Liberec); Gisela (Munich); Deutscher Ring (Vienna).

[11] The Hamburger Feuerkasse, which belonged to this group of companies, is the oldest insurance company in the world, founded in 1676 (twelve years before Lloyds of London.)

[12] The founder of the public life insurance company, Wolfgang Kapp, was the leader an unsuccessful attempt in 1920 to overthrow the fledgling Weimar Republic, the eponymous Kapp Putsch.

private insurers as capitalists and portrayed themselves as operating for the common good by keeping insurance premiums affordable for everyone.

The public insurance companies also saw themselves as a bulwark preventing the outflow of savings capital from the countryside to the cities and industrial centers where private insurance companies were headquartered. The *Verband Öffentlicher Versicherungsanstalten* (Association of Public Insurance Companies) saw its outlook as consonant with the Nazis' plans for a new Germany, and placed itself "unconditionally at the disposal of today's government... [a]s we operate in the public interest, our institutions are the precisely suitable instruments for the government to achieve its goals in the area of insurance."[13]

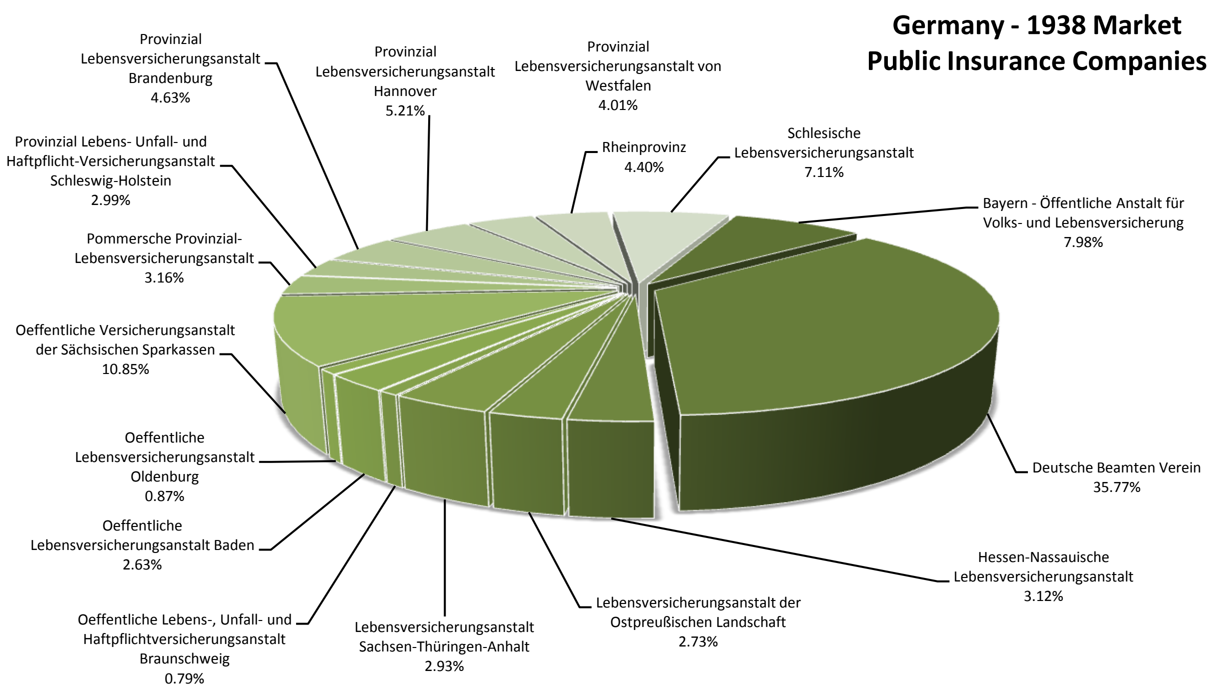

Figure 1

The largest of the public insurance companies, the Deutsche Beamten Verein, which represented public sector white-collar workers, collected over 62 million RM worth of premiums in 1938.

Because the public institutions came under the oversight of the governments of various provinces, the Nazi political program was easier to accomplish within these companies. Many of the companies sought high-ranking Nazis as board members in order to act as counterweights to what was seen as the undue influence of the heads of private insurance companies on the Reich Economics Ministry.[14] Franz Schwede-Coburg, a fanatical "old fighter" (i.e. a Nazi party member since the early 1920s) eventually became the head of

[13] Quoted in Surminski, p. 83.

[14] For example, the head of the Provinzial Lebensversicherungsanstalt Rheinprovinz was Hans Goebbels, brother of the Reich Propaganda Minister, Josef Goebbels and the fanatical "Old Fighter" Franz Schwede-Coburg had long-standing ideological and material interests in public insurance companies. See Gerald D. Feldman, *Allianz and the German Insurance Business*, (New York: Cambridge University Press 2001), p. 96.

the Reich Group for Public Insurance Companies after his predecessor was forced to resign for having given the work of a Jewish actuary a positive review.[15]

Private Insurance Companies

Private insurance companies, particularly those that were joint stock corporations accountable to shareholders, had good reason to fear a nationalization of the insurance industry after the Nazi takeover of power. Members of the strong anti-capitalist wing of the Nazi party were outspoken against the principle of private profit and many of them were placed in charge of both the DAF-owned companies and the public insurance institutions with the slogan "*Gemmeinnutz vor Eiggennutz*" ("public interest before private interest"). The implication of course was that the private insurance companies were reversing this slogan.

The appointment of Andreas Brass as head of the government's *Wirtschaftsgruppe Privatversicherung* (Private Insurance Economic Group) at the beginning of 1937 intensified the conflict between the DAF and the private insurance companies. Brass was a former General Director of Deutsche Lebensversicherungs AG and an "Old Fighter" who had been a Nazi party-member since 1923.[16] Shortly after his appointment to the *Wirtschaftsgruppe*, Brass gave a speech in which he stated that "the raison d'être of the insurance company is never the profits of shareholders or other owners of capital... Insurance is the property of the insured, not just in the branch of life insurance."[17]

Indeed the competition was so ferocious between the branches of the insurance industry that in 1937 the *Reichsverband für Privatversicherung* (Reich Association of Private Insurance Companies) and the DAF had to reach an agreement on the "principles of competition" the aegis of the head of the Reich Group for Insurance. The agreement forbade the following: the implication that only public insurance companies served the public interest; the designation of any insurance company as a "welfare" association; the injunction to buy insurance locally out of loyalty to one's home area because this split up Germany into a series of smaller economic units; and advertisements using the names of celebrities from the public arena. The agreement stated moreover that since the unions were no longer involved in companies like Deutsche Ring and Volksfürsorge, private insurance companies would refrain from advertising their competition to be "Marxist" or formerly "Marxist" while, in turn, Volksfürsorge and Deutscher Ring would not advertise themselves as "undertakings of the DAF" and attempt to use their privileged position to lure customers away from the private insurers.[18]

Nonetheless, the competition between the public and DAF companies on the one hand and the private insurers on the other continued unabated until the outbreak of the war. As noted above, the DAF's companies – particularly Volksfürsorge and Deutscher Ring - saw an exceptional increase in their market-share.

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[15] Feldman, *Allianz,* p. 176.
[16] Feldman, *Allianz*, pp. 167-168.
[17] Surminski, p. 77.
[18] Surminski, pp. 75-76.

Meanwhile Franz Schwede-Coburg, who was connected to the public insurance companies, continued his campaign to nationalize private companies, drafting legislation in 1939 that would have enabled the government oversight office to take over private companies. Although this further attempt to nationalize the insurance industry was unsuccessful, the newly created Reich Insurance Committee, set up to advise the Reich Economic Ministry, was dominated by members of the public insurance group (Schwede-Coburg was the chair, his deputy was Hans Goebbels, and the private insurers were represented by Kurt Schmitt from Allianz, who was outnumbered by his counterparts).[19]

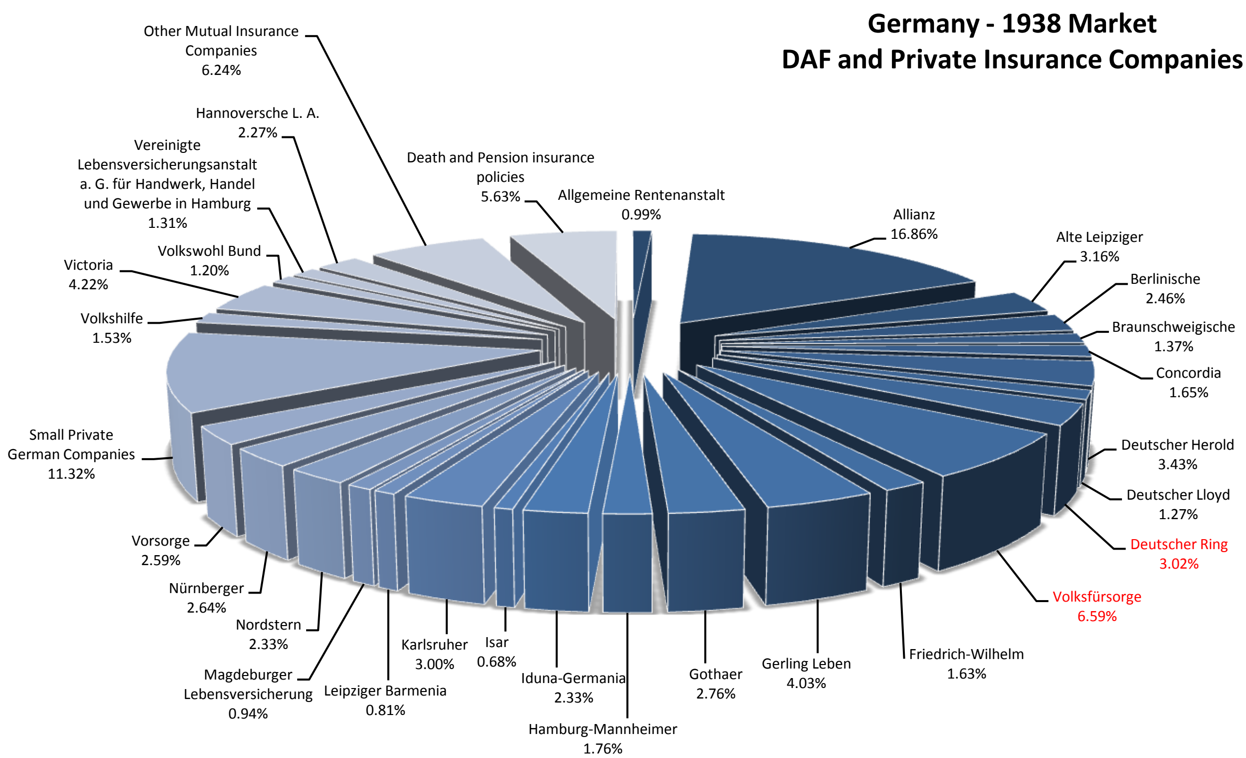

Figure 2 - "Small Private German Companies" includes 24 private German domestic companies each making up less than 1% of the entire German market. The companies whose names appear in red are DAF insurers.

Given the competitive pressure that private insurance companies felt from the anti-capitalist slogans of the DAF and public insurance companies, and their fears of threatened nationalization, private insurers went out of their way to show that they too put the common good ahead of corporate profits. Allianz's General Director Dr. Kurt Schmitt accepted the position the Reich Economics Minister in June 1933[20] and its director Eduard Hilgard took over the leadership of the *Reichsgruppe Versicherungen* (Reich Group for Insurance), at least partly as a way to defend the interests of private insurance companies.

Increasingly, German private insurance companies looked upon the insurance industries of newly occupied or annexed territories like Austria and Czechoslovakia as an opportunity to expand market share, gain clientele, and perhaps achieve some breathing room from the threat of takeover by the public insurance companies and the German Labor Front.

[19] Surminski, pp. 95-96.
[20] He resigned citing health reasons effective January 1935, and his position was taken over by Hjalmar Schacht. Feldman, *Allianz*, pp. 72-102.

Moreover, when the Reich Finance Ministry turned to the insurance industry to provide loans to the state for its various capital projects (such as the construction of the Autobahn network), private insurers were eager to show that they were good citizens, and thereby avoid the ever-present threat of nationalization. The insurance industry purchased 205 million RM worth of state-issued bonds in 1935, 195 million in 137, and 416 million in 1938, according to fund-raising goals provided by the Reich Finance Ministry.[21] In addition, the finance ministry required insurance companies to take part in various "charity" campaigns that were, in essence, forced loans by the insurance industry to the organs of the state.

In any case, the insurance companies had no other outlets than state-issued bonds to invest capital, since they were forbidden by a directive of 1938 from investing the private housing market or even expanding their own facilities, and encouraged to use all available funds to purchase state bonds or treasury notes instead. In March 1939, the so-called "Capital Freeze Decree" ordered insurance companies to provide two-thirds of their available investment capital to the state. By September 1942, this percentage had increased to 75%, and insurance companies were also forced to accept bonds issued by companies that were critical to the armaments industry. To take one example, the Hamburg-Mannheimer company which had 20 million Reichsmarks of investment capital in 1941 used 1.9% to purchase land, 0.3% for the purchase of mortgages, 24% in loans to companies in the armaments industry and 73.8% to purchase state-issued bonds. In total, the German insurance industry had 15 billion Reichsmarks available for investment in 1944; 9 billion Reichsmarks of which was in the form of fixed-interest securities, overwhelmingly state bonds issued by the Reich.[22]

Foreign Companies and Foreign Operations of German Companies

On June 12, 1933, the German government passed the so-called *Volksverratsgesetz* (Law Against the Betrayal of the German People), which, among other things, obligated Germans to report any life insurance policies held with foreign companies to the relevant finance offices. Although the law did not explicitly require this, the Finance Ministry began to require the German branches of foreign companies licensed to operate in Germany to similarly report all policies held by German citizens. This reporting requirement particularly affected Swiss life insurance companies with German branches, such as Schweizerische Lebensversicherung AG and Basler Leben, which together had by far the largest German market share among foreign companies. A later amendment to the law released foreign companies from the obligation of reporting their German policies, although the reporting requirement remained in effect for citizens. The punishment for failing to report such policies was up to three years in prison for "Betrayal of the German Economy."

Foreign currency policies (mostly in US dollars or Swiss francs) formed a not inconsiderable proportion of the German life insurance portfolio; policyholders had sought them out in a reaction to the hyperinflation of the 1920s. In early 1934, the Reich supervisory authority for insurance banned first the advertisement and then the sale of policies denominated in gold marks or foreign currencies or backed by foreign currencies.

[21] Surminski, p. 202.
[22] Surminski, pp. 204-205.

The reason for this was the Reichsbank's chronic shortage of foreign exchange. After October 1, 1934, no more foreign currency was available to meet obligations resulting from foreign currency policies, and a directive from the Reich supervisory authority changed foreign currency policies into Reichsmark denominated policies with a foreign currency portion. In 1938, all German foreign currency policies were converted into Reichsmarks.

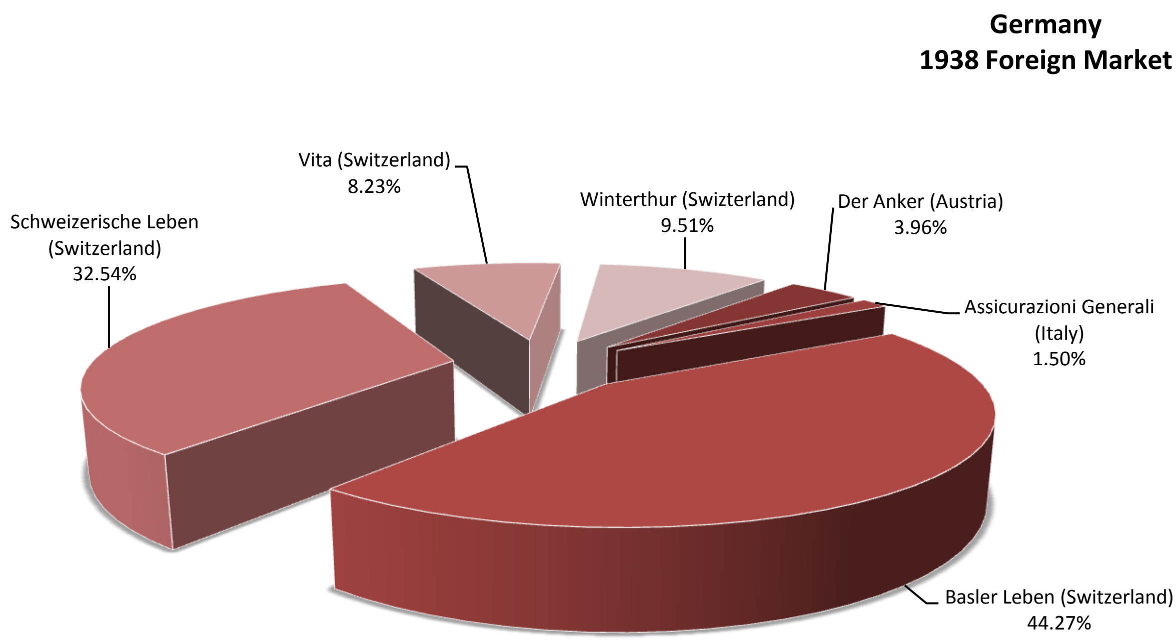

Figure 3

The German insurance industry was, for the most part, concentrated on the domestic German market, which was the largest in continental Europe. However, one company – Victoria – had extensive operations outside Germany. Even before the Nazi takeover of power in 1933 and the expansion of German influence in Eastern Europe during the 1930s, Victoria had been represented in more countries than any other German insurance company.[23] Although Victoria comprised only about 6% of the pre-war German life insurance market, its foreign operations accounted for 86% of the premium income of all German companies from life-insurance business conducted outside Germany. In contrast, the undisputed giant of the German insurance industry, Allianz, only accounted for 9% of life-insurance premiums from foreign business.[24]

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[23] By 1935, Victoria had concessions in the following countries: Austria, Belgium, Bulgaria, Cyprus, Czechoslovakia, Denmark, Egypt, Finland, France, Greece, Hungary, Iraq, Luxembourg, Mexico, the Netherlands, Norway, mandate Palestine, Persia, Portugal, Romania, Spain, Sweden, Syria, Tunis, and Turkey. Kurt Hamann and Wolfgang Knochenhauer, *Hundert Jahre Victoria Versicherung, 1853-1953*. (Berlin, Victoria Versicherung, 1953), p. 242.

[24] *Assekuranz Jahrbuch,* (Basel: Verlag für Recht und Gesellschaft A.G., 1940), v. 59, pp. 76-77.

The Insurance Industry in Occupied Europe

The interactions of the German insurance industry, the indigenous companies of occupied Europe, and foreign insurers in each occupied country mirrored the complexity and overlapping jurisdictions of the social and political organizations set up in each of these countries.

Austria

Austria was the test-case for the incorporation of a sovereign state into the Reich. The Nazis were initially taken aback by the fervor of their welcome by the Austrian populace, and it was perhaps this, as much as any other reason, that caused Hitler to decide on the total political union (known as the *Anschluss)* of the two countries. Austrian laws and administration would be integrated within the existing German state; Austria would disappear as a sovereign state, and be known as the *Reichsgau Ostmark*.[25]

In the immediate aftermath of the *Anschluss*, the Reich Economics Ministry attempted to "protect" indigenous Austrian companies[26] from being swamped by their larger German counterparts. Under a decree of April 14, 1938, German insurance companies were not allowed to set up offices inside Austria until at least October 10, 1938.[27] However, although German companies were not licensed to operate in Austria, there was no barrier to their purchasing Austrian companies outright.

In 1938, fewer than 10% of Austrian banks were under German ownership; by 1944, 85% were owned by German companies. A similar situation eventually prevailed in the insurance industry.[28]

In March 1938, only one of the largest life insurance companies in Austria had more than a tiny percentage of German share capital. By 1945, the situation had changed drastically – the major Austrian insurance companies had either been completely absorbed into their German counterpart entities (in the case of the publicly owned Wiener Städtische and Versicherungsanstalt der Österreichischen Bundesländer) or their shares were overwhelmingly in the possession of German entities such as the DAF and German private insurance companies.

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[25] The Ostmark itself was subsequently broken up into seven smaller provinces which were each directly subordinated to the Berlin offices of the central government and the Nazi Party. The seven provinces were Vienna, Steiermark, Kärnten, Tirol-Voralberg, Salzburg, Oberdonau, and Niederdonau. Oberdonau and Niederdonau incorporated portions of the pre-war Sudetenland that were in the south of the former Czechoslovakia, while Steiermark and Kärnten after 1941 incorporated portions of Slovenia from the former Yugoslav Kingdom. The reorganization of Austria negated the formerly dominant position of Vienna vis-à-vis the hinterlands of Austria; in fact, Vienna was not even named one of the five "Führer Cities" for which the regime set aside special building projects. Mark Mazower, *Hitler's Empire*: *How the Nazis Ruled Europe* (New York: The Penguin Press, 2008), pp. 48-49.

[26] Jewish-owned businesses, of course, were not subject to any sort of protectionism by the Nazi state.

[27] Feldman, *Allianz*, p. 291. The decree "Vermerk RWM, Juni 1938, SM, 1458/2/200, Bl. 3-5, 48-51 was not limited to insurance companies.

[28] Report of the United States High Commissioner, U.S. Element High Allied Commission for Austria, December 1948, p. 105.

German Share Capital in Austrian Life-Insurance Companies[29]

Company	March 12, 1938	May 8, 1945
ÖVAG	4%	100% (DAF/Deutscher Ring)
Der Anker	0%	92% (Victoria)
Wiener Städtische	(public)	Taken over by German public company
Versicherungsanstalt der Österreichischen Bundesländer	(public)	Taken over by German public company
Donau	50%	84% (Münchner Rückversicherung)
Allianz und Gisela Verein	1%	97% (split between Münchner Rückversicherung and Allianz)

The *Anschluss* also introduced some new rivals to German insurance companies, although in the event, the competition proved to be ephemeral, at least in the newly formed Ostmark. The great Italian private insurers Assicurazioni Generali and Riunione Adriatica di Trieste, both based in Trieste, had been multinational companies servicing the Habsburg Empire since their founding. After the First World War, they were able to maintain or even expand their businesses in both Austria and the rest of Central and Eastern Europe.[30] For both of these companies, Vienna was a second major headquarters thanks to the patterns formed under the Habsburgs. Generali had, moreover, been an important shareholder in the insurance fund set up following the collapse of Phoenix bankruptcy and was anxious to see its investment recouped after the *Anschluss*.[31]

Allianz wished to acquire the Elementar-Phoenix company, which had been set up by a consortium, including the German Münchner Rückversicherung (Munich Re), Assicurazioni Generali and the Creditanstalt Bankverein, to take over the non-life portfolio of the defunct Phoenix insurance company. Although Assicurazioni Generali had also hoped to widen its holdings in Elementar-Phoenix, a series of negotiations brokered by Munich Re clearly revealed that Generali would not be allowed to expand in Austria, although it would be treated more generously than the Austrian shareholders in the company.

Generali sold its holdings in Elementar-Phoenix to Allianz, in addition to its shares in the Polish and Romanian subsidiaries of Elementar-Phoenix, in return for a percentage of Elementar-Phoenix's business in Yugoslavia and Czechoslovakia. In contrast, the major Austrian shareholder in Elementar-Phoenix, was simply forced by the German government

[29] Dieter Stiefel, *Die Österreichischen Lebensversicherungen und die NS-Zeit*, pp. 39 and 323.

[30] Prior to 1940, Generali had a worldwide network of over one hundred subsidiaries and branches and a controlling interest in some sixty independent companies. Although smaller than Generali, Riunione had eighty branches and agencies worldwide and controlled a variety of companies in Italy and abroad, such as the Internationale Unfall- und Schadensversicherung Gesellschaft in Vienna, La Fonciere in Budapest, Piast in Warsaw and Münchener LebensversicherungsAnstalt AG in Germany. Anna Millo, *Trieste, l'assicurazioni,l'Europa*, (Milan, 2001).

[31] Gerald Feldman, "Competition and Collaboration among the Axis Multinational Insurers", in Christopher Kobrak and Per Hansen, eds., *European Business, Dictatorship and Political Risk*, (New York: Berghahn Books, 2004), pp. 41-61.

to sell its shares in Elementar-Phoenix and other enterprises to Allianz.[32] In the end, Elementar-Phoenix was absorbed into the Allianz concern to the point where it even lost its name; it was now called "Wiener Allianz."

Allianz's acquisition of Elementar-Phoenix was paralleled by the DAF's acquisition of Österreichische Versicherungs AG (ÖVAG).

After the Phoenix bankruptcy in 1936, its life insurance portfolio was administered by the Österreichische Kontrollbank für Industrie und Handel under the supervision of the Austrian finance ministry, which was tasked with liquidating the company. The foreign life portfolios along with financial assets were transferred to the successor companies set up in their respective countries, while the domestic portfolio was taken over by the newly formed ÖVAG company, which had a share capital of 5 million schillings (50,000 shares at 100 schillings each). The major shareholders in ÖVAG were Wiener Städtische (a quasi-public undertaking of the Municipality of Vienna), with 37% of the share capital; Assicurazioni Generali with 14%, the Creditanstalt Bankverein and the Österreichisches Creditinstitut with 11% each. The only German shareholder was Münchner Rückversicherung and the remaining shares belonged to a number of smaller Austrian Insurance companies.[33]

In order to meet its premium reserve requirements, ÖVAG also received a transfer of 250 million schillings from the sale of bonds by a government-established "Insurance Fund."[34] After the *Anschluss*, the Insurance Fund in Vienna was dissolved and its assets and tasks were transferred to the Insurance Fund in Berlin, to which all companies that did business in the German Reich were expected to contribute.[35]

The actual takeover of ÖVAG occurred in two stages; first, all the representatives of the majority shareholder (the city of Vienna which owned Wiener Städtische) were compelled to resign before the shareholders' meeting on June 2, 1938 and were replaced by dedicated Austrian Nazis, including Josef Mayrhofer, who chaired the board meeting. Secondly, the Austrian companies holding shares in ÖVAG were forced to sell them to the DAF so that by the time of the second shareholders' meeting on July 16, 1938, the DAF was the majority shareholder in ÖVAG. The founding statutes of the company forbade a change in majority control during the first two years of ÖVAG's existence, but this proved to be no barrier to the DAF's control of the company: the statutes were changed, and a new governing board including Mayrhofer, and a number of officials from Deutscher Ring and Volksfürsorge (both DAF companies), was voted into place, giving the DAF control of the largest life-insurance company in Austria.[36]

In addition to overseeing the transformation of Austrian insurance companies into German ones, the Reich Economics Minister was empowered to dissolve or merge insurance companies and to establish new ones. In Austria, a large number of insurance funds, insurance associations and mutual assistance organizations had not previously fallen

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[32] Feldman, *Allianz,* pp. 292-294.
[33] Dieter Stiefel, *Die Österreichischen Lebensversicherungen und die NS-Zeit,* Vienna, Böhlau, 2001, p. 32.
[34] Stiefel, p. 34.
[35] Stiefel, p. 320.
[36] Feldman, *Allianz*, pp. 296-297.

under government oversight or regulations governing insurance companies. In 1938, there were some 1,400 death benefit insurance associations[37] in Austria set up under the Associations Act of 1867 with a total membership of 1,650,000, roughly one quarter of the total population. Under the Law on the Transfer and Integration of Associations, Organizations and Societies of May 14, 1938, and the decrees of the *Stillhaltekommissar* (Moratorium Commissioner), these death benefit associations and aid associations were dissolved as of the end of 1939.[38]

A consortium of seven insurance companies took over the insurance portfolios of the death benefit associations. Meanwhile, private pension and death benefit funds (company pension funds, etc.) that had formerly come under the aegis of the Austrian Insurance Supervisory Authority were reviewed and in many cases dissolved by the representatives Moratorium Commission.[39]

As of March 1, 1939, supervision of insurance companies in Austria was transferred from the Federal Chancellery in Vienna to the Reich Supervisory Office for Insurance in Berlin. A special Unit VII, based in Vienna, was entrusted with supervising the insurance companies in the newly renamed *Ostmark*. In principle, Austrian insurance contract law continued to apply in the Ostmark until January 1, 1941, when it was replaced by German law.

The schilling – the currency of independent Austria – ceased to exist in 1938; it was replaced by the Reichsmark at the rate of 1.5 schillings to 1 Reichsmark, amounting to a 44% revaluation of the schilling, since the exchange rate in Vienna in 1937 had been 2.16 schillings to the Reichsmark. In other words, before the *Anschluss*, the schilling was equivalent to 0.46 Reichsmarks while afterwards, its value rose to 0.68 Reichsmarks. Under normal economic conditions, this high exchange rate would have had disastrous effects on the Austrian economy, resulting in a further deterioration of the already lower productivity of Austrian enterprises. However, the effects of currency revaluation were countered by the armaments boom, by tariff protection extended to Austrian enterprises as a part of the German Reich, and by government exchange controls.

As in Germany, one of the side effects of hyperinflation in the immediate post-World War I period was that many Austrian life insurance contracts either contained gold clauses or were concluded in foreign currency. Even after the introduction of the schilling in 1925, this continued to be the case. After the Phoenix collapsed in 1936, the company's life insurance contracts made out in US gold dollars and US dollars were converted to paper schillings and all liabilities denominated in gold schilling and gold crown were converted to paper schillings.

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[37] Unlike term life insurance, these companies provided burial insurance (*Sterbegeld* in German) – small sums designed to offset the cost of funerals. The benefits were only payable upon the demise of the policyholder, rather than after a fixed number of years.
[38] This was a law of general application that applied equally to Catholic, Protestant and Jewish burial societies.
[39] Stiefel, *Die Österreichischen Lebensversicherungen und die NS-Zeit*, p. 320.

1 Gold Dollar	1 Dollar	1 Gold Schillings	1 Gold Crown
7 Paper Schillings	5.4032 Paper Schillings	1.28 Paper Schillings	1.44 Gold Schillings
			1.84 Paper Schillings

After the *Anschluss*, the Insurance Supervisory Authority issued a regulation on April 16, 1940, which fixed a uniform exchange rate for all insurance policies that fell due after March 17, 1938.

1 Gold Schilling	1 Gold Crown
1.2 Paper Schillings	1.725 Paper Schillings
0.80 Reichsmarks	1.15 Reichsmark

This relatively generous conversion was due to the previous arrangements in connection with the Phoenix crisis. If the gold schilling insurance policies of the other companies had not been revalued at the same rate as Phoenix's gold schilling policies, the policyholders of a company that had gone bankrupt would have been better off than the clients of still functioning companies.

Similarly, the Law on the Conversion of Domestic Foreign-Currency Insurance Contracts (*Gesetz über die Umwandlung inländischer Fremdwährungsversicherungen*) of August 26, 1938, converted all foreign-currency policies into Reichsmark policies. The obligation to turn in such foreign-currency holdings also applied to Austrians who had emigrated by that time. Foreign currency holdings obtained in this way had to be offered to the Reichsbank. It has been estimated that of 81.6 million RM in foreign currencies, which the entire insurance industry of the Reich had to cede to the Reichsbank, 20-25 million were accounted for by the Austrian insurance companies. This suggests that the Austrian companies had held large amounts of foreign currencies. This surrender was all the more profitable to the Reich, as the insurance companies merely received Reich bonds in return.

Like their German counterparts, Austrian companies were made to invest heavily in German government bonds. On December 31, 1944, 72% of the reserve capital of life insurance companies in Austria took the form of German government bonds. Within six months, of course, those bonds would be worthless.

The annexation of Austria to the German Reich enabled German private and public insurers, already embroiled in a competition for clientele and over the direction of the industry in the future, to find a new stage.

Czechoslovakia

Unlike the swift incorporation of Austria into the German Reich, Czechoslovakia was dismembered piecemeal. Following the annexation of Austria, Germany began a campaign of agitation for the rights of the majority-German border area of Czechoslovakia known as the "Sudetenland." On September 29th, 1938, in Munich, Hitler demanded the cession of the Sudetenland to Germany. The British and French agreed, with some nugatory guarantees about the security of the rump Czechoslovak state, and in early October 1938, the Germans marched into the Sudetenland without a fight.

In October 1938, the Sudetenland was directly incorporated into the German Reich as Austria had been, and designated as the *Reichsgau Sudetenland*, with the Sudeten German leader Konrad Henlein appointed as *Gauleiter*.

Before the German occupation of the Sudetenland in October 1938, only one German company – Concordia of Cologne – was represented in the area, with an office in the regional capital, Reichenberg (Liberec). The rest of the Sudeten market was composed of small, local companies and local branches of the big Czech companies based in Prague. As in Austria immediately following the *Anschluss*, the Reich Economics Ministry sought to protect indigenous businesses from being overwhelmed by their larger German competitors, and in the case of insurance, wished to have existing portfolios transferred to local Sudeten companies.[40]

In November 1938, a number of local Sudeten companies joined together to form the publicly chartered Sudetendeutsche Union Versicherungs AG and proposed, along with Concordia, to take over the existing portfolios of Czech companies in the area. Concordia was to handle the life insurance portfolios while the new Sudetendeutsche Union would take over property insurance. This plan was vetoed by the Reich Economics Ministry, which was in the midst of negotiations on a treaty with Czechoslovakia that would have give Czech companies control over the sales of their Sudetenland portfolios. Moreover, other German insurance companies were, for obvious reasons, not in favor of providing one of their number (Concordia) with a monopoly over life insurance in the area. Thus Allianz, Wiener Allianz, Bayerische Versicherungsbank and Kraft took over portions of the Sudetenland portfolio of the Czech companies Slavia, První Česká and Rolnická.[41] Concordia reached an agreement with the Austrian Donau insurance company in 1940 under which it would take over the entirety of Donau's life insurance portfolio and transfer its own non-life portfolio to Donau, retroactive to December 31, 1938.[42]

The German agreements with the Czechoslovak state regarding the fate of the Sudetenland portfolio of Czech insurance companies were superseded by the German occupation of Bohemia and Moravia on March 15, 1939. One day earlier, on March 14,

[40] Feldman, *Allianz*, pp. 303-304
[41] Ibid.
[42] *Assekuranz Kompass: Jahrbuch für Versicherungswesen*, 1943, pp. 205-206.

1939, Slovakia had declared its independence under the leadership of Josef Tiso, the Roman Catholic priest who headed the Slovak People's Party. The remaining territory was designated the Protectorate of Bohemia and Moravia and administered in a political regime unique in Nazi-occupied Europe.

The insurance industry in the Protectorate was initially supervised by the Protectorate's Ministry of the Interior until January 15, 1942. After this date, the responsibility for insurance lay with the Ministry of Economics and Labor in the Protectorate, which was under the direct control of Nazi Germany. The entire industry was controlled through a central institution, the Central Association of Private Insurance in Bohemia and Moravia (*Zentralverband der Vertragsversicherung in Böhmen und Mähren*), which was designed to serve as an intermediary between the insurance industry and the government. Two economic divisions were established under this Association: one for life insurance and the other for general insurance.

The consensus among the German authorities in charge, beginning with Reinhard Heydrich, the Reichsprotektor himself, was that unless there was a military requirement to do so, the basic economic structures of the area should not be changed. The administration of the Protectorate proclaimed in June 1939 that all policies signed prior to October 10, 1938 in the territory of the former Czechoslovakia (minus the Sudetenland) were the responsibility of the insurance companies in the Protectorate, provided their headquarters had been established prior to December 31, 1938 and the insured person or property was also in the Protectorate prior to this date.[43]

Only those German, Austrian and Sudetenland companies such as Victoria, Donau-Concordia, Sudetendeutsche Volksfürsorge, and foreign companies like Generali, RAS and Helvetia, that were already active in the area, were permitted to continue doing business alongside the pre-annexation Czech companies.

German authorities had two goals regarding the insurance business in the Protectorate. First, they wished to capture Czech business for German companies and increase German influence in the area. The Czechs preferred to buy insurance from Czech companies, so German ownership of these companies was often disguised. Secondly, the Germans wanted to concentrate and rationalize the Czech insurance industry, which they felt had too many small mutual insurance associations.

As for Slovakia, the Reich Supervisory Authority had already reached an agreement by 1940 with the Slovak authorities as to which German and Czech companies could do business in Slovakia, amid German pressure to consolidate the overpopulated Slovak insurance industry. A consolidated group of Slovak companies was established and some of the larger insurance companies from the Protectorate were also licensed to do business in Slovakia. At the same time, five German companies (Allgemeine Elementar, Der Anker, Donau-Concordia, Sudetendeutsche Union and Victoria) and two Italian companies (RAS and Generali) were granted concessions for independent Slovakia.[44]

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[43] Tomas Jelinek, "Insurance in the Nazi Occupied Czech Lands: Preliminary Findings", Proceedings of the Washington Conference on Holocaust-Era Assets, November 30-December 3, 1998, p. 609.
[44] Feldman, *Allianz*, p. 360.

Poland

After the joint German-Soviet invasion of Poland in September 1939, Poland was divided into three parts. Upper Silesia, the lands surrounding the former free city of Danzig (Gdansk) and the so-called Wartheland centered around Posen (Poznan) which had been ceded to Poland in 1919, were reincorporated into the German Reich. The remainder of German-occupied Poland was renamed the "General Government" (*Generalgouvernement*). Finally, between 1939 and 1941, the Soviet Union occupied over 75,000 square miles of territory in Eastern Poland.

The fate of Polish insurance companies depended on which areas were under discussion: in the areas annexed directly to the Reich, the German government followed its own precedents from Austria and Czechoslovakia and initially banned German companies from doing business in the annexed areas while appointing trustees for Polish businesses. However, by 1940, German insurance companies were licensed to operate in the directly annexed areas.

Most Polish and foreign insurance companies operating in pre-war Poland had their headquarters in Warsaw, in the General Government, where German policy was somewhat different. Polish insurance companies continued their formal existence throughout the war, but German companies found a way to operate in the General Government through subsidiaries or indirectly through control of Polish companies or Austrian companies that did business in Poland even if they were unable to use their own names. The German Münchner Rückversicherung had already had a substantial presence in pre-war Poland, controlling a majority of some of the largest Polish companies that sold non-life products such as fire insurance, crop insurance, etc.[45]

All Polish insurance companies (even those owned by German and Italian companies) fell under the administrative purview of the Head Trusteeship Office (*Haupttreuhandstelle Ost* – HTO). The main purpose of the HTO, created by Hermann Goering in October 1939, scant weeks after the surrender of Poland, was to "Germanize" the Polish economy, by confiscating, administering and selling Polish and Jewish assets to German enterprises and the ethnic German settlers whom the government in Berlin hoped would flood the areas of Poland subjected to "ethnic cleansing." Although the HTO required (nominally) Polish and German companies to meet their obligations of paying out prewar Polish policies, they were instructed to make payments on these policies directly to the German state, through the HTO. Thus, the German state was able to capitalize on insurance claims by Polish citizens, simply seizing the value of insurance policies. Meanwhile, the German insurance industry shamefully participated in insuring goods produced in the ghettos of the General Government and even insured SS enterprises physically located in some of the most notorious concentration camps.[46]

[45] Feldman, *Allianz*, pp. 395-398.
[46] Feldman, *Allianz,* pp. 400-415.

Southeastern Europe and the Baltics

Like Slovakia, Hungary was never formally occupied by Nazi Germany although it was a German ally and sent hundreds of thousands of troops to the war on the Eastern Front. Thanks to Hungary's nominally independent status (at least until the installation of Ferenc Szalasi's puppet regime in October 1944), and the very limited pre-war presence of German companies in the country, the insurance industry in Hungary did not experience any high degree of "Germanization" during the war. Although Wiener Allianz was the successor of the defunct Austrian Phoenix company, the Hungarian branch of Phoenix had actually continued to exist, albeit in a state of liquidation, with parts of its portfolio having been taken over by Elsö Magyar and Generali. Moreover, the Hungarians had banned further foreign concessions. Although the director of Wiener Allianz managed to wrest the promise of a concession from the Hungarian government by the spring of 1941, it was only for property insurance, and not for life insurance.[47]

In Yugoslavia, divided into nine parts after April 1941,[48] the major foreign companies were Assicurazioni Generali and Riunione Adriatica di Sicurta, both based in Trieste and enjoying geographic proximity and long cultural ties to the Adriatic coastline of Yugoslavia. The ubiquitous Münchner Rückversicherung, however, held shares in two major Yugoslav life insurance companies: Ujedinjeno and Jugoslavia, both headquartered in Belgrade. Between them, these two companies controlled about 16% of the Yugoslav market in 1936. The former Austrian company, Der Anker, had another 5% of the Yugoslav market, so German-owned companies already controlled around 21% of the life insurance market even before the military conquest of Yugoslavia in 1941. The portfolios of Ujedinjeno and Jugoslavija in the areas directly annexed to Germany were turned over to Wiener Allianz, while the companies continued to function in independent Croatia and in the militarily governed regions of Serbia[49].

Neither Romania nor Bulgaria were formally occupied by German troops, although both countries were German allies and had close economic ties to Germany. The Bulgarian market was small and overcrowded and German companies were not particularly interested in investing there. Although Wiener Allianz applied for a license to operate in Bulgaria in 1940, it had not received permission to do so by mid-1942. Victoria, which was represented in Bulgaria before the war, was the only significant German company to do life insurance business in the country.[50]

As for Romania, German desire to do greater business in the area came into conflict with the Romanian government's stated desire to "Romanize" the economy. Although the most obvious target for "Romanization" were Jewish enterprises, the strong ethnic German (*Volksdeutsche*) presence in the Transylvanian and Banat regions of Romania paradoxically complicated matters for German enterprises seeking to expand into Romania. For one

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[47] Feldman, *Allianz*, pp. 367-371.

[48] The Germans directly annexed parts of Slovenia that bordered the former Austrian province of Carinthia (Kärnten) while the Italians, Albanians and Hungarians also annexed portions of the former Yugoslavia. Montenegro and Croatia were nominally independent and Serbia and sections of the Banat bordering on Hungary were placed under German military administration.

[49] Feldman, *Allianz,* pp. 360-361.

[50] Feldman, *Allianz,* p. 364.

thing, Romanians wanted to have Jewish businesses "Aryanized" by Romanian-speakers, and not by members of other ethnic minorities.

For another, there were already several insurance organizations and companies that had been set up by ethnic Germans, particularly in Transylvania, to sell insurance to other members of this minority. The two largest of these companies, Transylvania and Agronomul, had almost 9% market share in the entire Romanian market in 1936, and were considerably more dominant regionally.

Initially, German companies from the Reich and the existing ethnic German companies attempted to work out some methods of combining their efforts, but by September 1942, it was decided that these companies would be left to their own devices, while the German companies from the Reich attempted to break into the market in Romania proper. Victoria already had a prewar presence in the Romanian market, while Münchner Rückversicherung and Generali were substantial shareholders in one of the largest Romanian companies, Dacia-Romania[51] but German companies experienced difficulties expanding into Romania because of the ambivalence on the part of the Romanian government regarding foreign participation in the Romanian insurance industry.

In March 1942, the Romanian government announced that it would henceforth treat any company with more than 50% foreign participation as a foreign company with the attendant disadvantages to that status. Moreover, in the summer of1944, the Romanian government required contributions from the six largest insurance companies in Romania to create a fund to help mitigate the effects of war damages on Romanian civilians. The contributions requested from Transylvania, Agronomul, Victoria and Wiener Allianz amounted to more than the capital holdings of these companies within Romania and the companies appealed to the German government to intervene with the Romanians. The question was rendered moot because on August 23, 1944, the Romanian government was overthrown in a palace coup and the country ceased to be a German ally.[52]

The Baltic countries, like Eastern Poland, were occupied twice – first by the Soviet Union from September 1939 to June 1941, and then by the Germans from 1941-1945. As we have seen, these countries had small markets with very little foreign involvement, other than Lithuania, in which two German companies (Victoria and Berlinische Leben) had had a presence before the war. Due to the Soviet occupation, much of the insurance industry was nationalized before the German invasion in 1941.

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Although Germany itself continued to be the continent's largest market, the Nazi occupation of most of Central and Eastern Europe provided the German insurance industry with an opportunity to expand beyond the borders of the Reich. Even in places where

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[51] However, Dacia-Romania concentrated mostly on the non-life market; its share in the life insurance market was far smaller than those of other Romanian companies like Steaua Romaniei, Asigurarera Romaneasca, or those of Victoria, Generali and RAS operating directly.

[52] Feldman, *Allianz,* pp. 364-367. Although Romania now declared itself to be at war with the Axis powers, most of the country was nevertheless occupied by the Soviets who continued to treat Romania as a hostile power until an armistice was formally signed on September 12, 1944.

German companies were banned from doing direct business, they were able to find a way to indirectly enrich themselves – with the connivance of the authorities – through the purchase of indigenous companies. Meanwhile, the state also enriched itself at the expense of much of the occupied population, particularly the Jewish citizens who were systematically robbed by agencies of the Third Reich before their eventual murder.

Spoliation and Confiscation

Map 1 - Under the Nazi regime, administrative powers were divided into regions, each region being calla a *Gau* and each Gau was headed by a *Gauleiter*. The original *Gaue* generally covered the same geographical area as the pre-existing *Länder* and Prussian provinces. Regions occupied in 1938 and early 1939 as well as the areas conquered during the Second World War were either incorporated into existing *Gaue* or organized in *Reichsgaue*. Outside of what was directly annexed into Germany were the regional territories created in occupied lands, which had a variety of civil and military administrations.[1]

Although the map above reveals the full extent of German domination of continental Europe (at its greatest extent the Third Reich extended from the Atlantic to the Urals), such an overview does not do justice to the complex forms of German economic and political hegemony. These can be broken down in to the following categories:[2]

[1] *Greater German Reich*. Maps. http://althistory.wikia.com/wiki/File:German_Administrative_Regions_1946.PNG

[2] Wolfgang Benz, "Typologie der Herrschaftsformen in den Gebieten unter Deutschen Einfluss", in Wolfgang Benz, Johannes Houwink ten Cate, and Gerhard Otto, eds., *Die Büroktratie der Okkupation: Strukturen der Herrschaft und Verwaltung in besetzten Europa* (Berlin: Metropol, 1998), pp. 15-18.

1. Formally annexed territories[3]
2. Informally annexed territories designated as being under the authority of "Chiefs of the Civil Administration"[4]
3. Occupation under military administration[5]
4. "Special administrations" somewhere between outright annexation and military occupation[6]
5. "Condominium" occupations in cooperation with German allies like the Italians in the Rhone region of France and in Greece and the Romanians in Transnistria.
6. Administration by German civil authorities in Denmark and Norway, the Netherlands, the Protectorate of Bohemia and Moravia, the *Generalgouvernment* area of Poland and the two "*Reichscommissariats*" in Ukraine and the so-called Ostland[7]

Finally, Nazi Germany exercised varying degrees of indirect control over a number of nominally independent allied states in Eastern and Central Europe, including Romania, Hungary, Bulgaria, Slovakia and Croatia.

The Spoliation of Jewish Property

Regardless of differing modes of governance and differing processes of spoliation in the areas occupied by or allied with Nazi Germany, the end result was the comprehensive looting of Jewish property, and ultimately, the physical destruction of the Jewish communities and their members in each of these regions.

Wherever Jews were murdered locally,[8] the theft of their assets was often more directly linked to their murders: i.e. Jews were stripped of the few possessions they were able to carry with them to the sites of their deaths.[9] However, in the areas where Jews were progressively disenfranchised and persecuted over a period of months and years, a veneer of legality was applied to their dispossession by the state. In general, though there are certainly exceptions to this rule, the length and complexity of the process of spoliation was directly linked as well to the relative wealth of the Jewish population of the area.

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[3] Austria, the Sudetenland, Memel (the German name for the Lithuanian city of Klaipeda) Danzig-West Prussia, the Warthegau (the section of Poland in the vicinity of Poznan – Posen in German), Southeastern Prussia and Eastern Upper Silesia.

[4] This category included Alsace-Lorraine, Luxembourg, Lower Styria, and Bialystok. These territories lay on the border zones of the German Reich proper and were considered for eventual incorporation into the Reich, without the legal formalities of annexation. They were also territories which the Nazis intended to "Germanize" by importing German-speaking settlers.

[5] Belgium, Northern France, the Channel Islands, Serbia, Greece and the areas to the rear of the German Army in the Soviet Union.

[6] The "Adriatic Zone' (Ljubljana in Slovenia, the region of Trieste, the cities of Gorizia, Udine, Fiume and Istria and their hinterlands on the Dalmatian coast of Croatia) and the "Alpenvorland" (Southern Tyrol, which had been annexed to Italy after World War I) were administered in this manner.

[7] Estonia, Latvia and Lithuania as well as the eastern sections of Poland and western sections of Belarus, Ukraine and Russia, which included all the areas occupied by the Soviet Union under the terms of the Molotov-von Ribbentrop pact and invaded by Nazi Germany on June 22, 1941.

[8] For example, the murders of large numbers of Jews resident in Soviet territory (and in those areas occupied by the Soviet Union in 1939 as a result of the Molotov-von Ribbentrop Pact of August 1939) largely took place in the near vicinity of their places of residence (e.g. Babi Yar near Kiev; Ponary near Vilnius, Maly Trostinets near Minsk) at the hands of the shooting squads known as *Einsatzgruppen*.

[9] For example, in Latvia, the Nazis had to retroactively and posthumously register Jewish assets in a vain attempt to recoup these from the locals who had already looted their erstwhile neighbors' possessions. Martin Dean, "Der Raub jüdischen Eigentums in Europa", in Constantin Goschler and Phillip Ther, eds., *Raub und Restitution: 'Arisierung' und Rückerstattung des jüdischen Eigentums in Europa*, Frankfurt a. M., Fischer Taschenbuch Verlag, 2003, p. 26.

By the middle of the 1930s most of Europe's Jews, nine million out of ten and half million, resided in the eastern half of the continent.

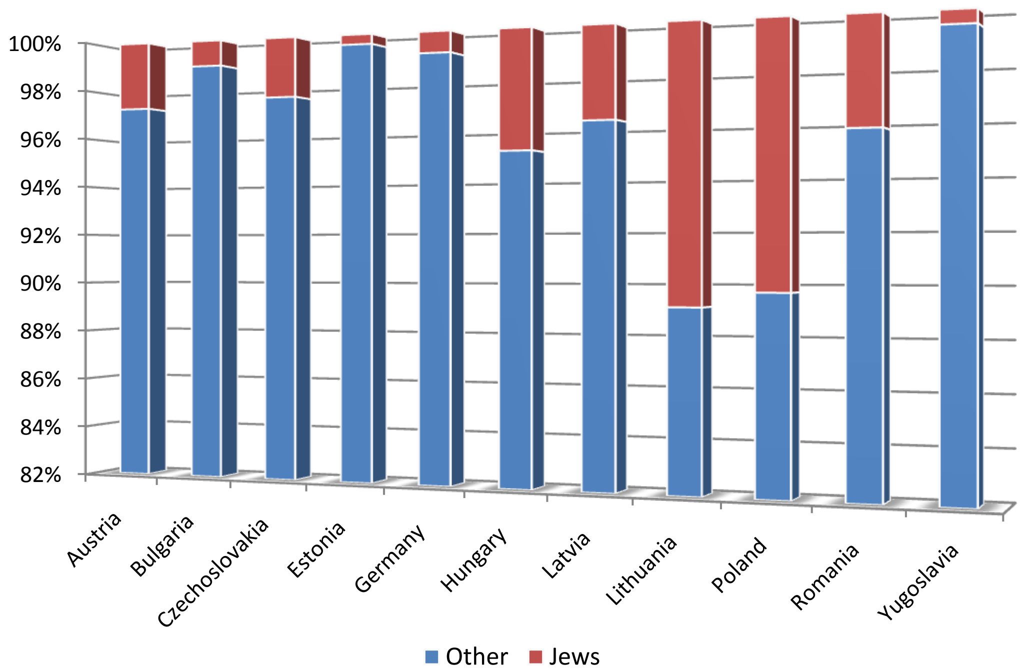

Figure 1

Germany

In 1932, there were around 100,000 Jewish-owned businesses in Germany, ranging from large international banks to family-owned corner shops. By the end of 1937, two-thirds of these had been liquidated or taken over by non-Jewish Germans.[10] This process of "Aryanization"[11] marked one of the greatest transfers of ownership in German history.

Until 1938, Aryanization was carried out within Germany as a rather chaotic program that was not centrally administered and did not come under the oversight of the Reich Economics Ministry. In the so-called "*Altreich*" (i.e. excluding Austria), the national government concentrated more on fiscal and monetary aspects of policy such as forbidding Jews to practice their professions (thereby barring them from earning an income) and using punitive taxes and forced "donations" to rob Jews of their assets while leaving the concrete Aryanization of business largely to regional authorities.

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[10] Frank Bajohr, "Arisierung und Restitution. Eine Einschätzung" in Constantin Goschler and Jürgen Lillteicher, *"Arisierung" und Restitution. Die Rückerstattung jüdischen Eigentums in Deutschland und Österreich nach 1945 und 1989*, (Göttingen: Ullstein Verlag, 2002), pp. 39-60.

[11] Aryanization is here defined not only as the transfer of possessions from Jewish owners to "Aryan" ones, but refers as well to the entire process of the disenfranchisement of Jewish citizens from the economic life of the country.

After 1936, the process of economic marginalization accelerated as the German Reich drastically tightened its foreign exchange controls. The *Devisenfahndugsamt* (Currency Investigation Office) was established on August 1, 1936, under the leadership of Reinhard Heydrich, and the foreign exchange law dating back to the Weimar days was made even more restrictive in December 1936, both moves that were primarily oriented towards Jewish businessmen.[12] Other pre-existing laws such as *Reichsfluchtssteuer*, introduced in Germany in 1931 as a means of preventing capital flight, were used by the Nazis to take punitive measures against Jewish persons who wished to emigrate. The takeover of the Reich Economics Ministry by Hermann Göring in the fall of 1937 symbolized an even sharper deterioration of the economic position of Jews in Nazi Germany.[13]

Figure 2

In April 1938, all those persons designated as Jewish in the sense of the Nürnberg Laws of 1936, were ordered to report any assets that were in excess of 5,000 Reichmarks, which had the effect of concentrating the further economic persecution of the Jewish population into the hands of the central government. The final stage of the expulsion of German Jews from the economy came after the November pogrom known as the "Kristallnacht" in 1938. Thousands of Jewish business owners were incarcerated in

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[12] For example, the new foreign currency laws permitted the seizure of the assets of any businesses even suspected of the smallest capital flight. Bajohr, p. 43.

[13] Göring's predecessor Hjalmar Schacht was certainly no great advocate for Jewish rights, but he was more of a technocrat than a dedicated Nazi, having headed up the Reichsbank during the great financial crisis of the early 1930s. Moreover, Schacht, whose father had become an American citizen in the 1870s and who was named for Horace Greeley, undoubtedly benefitted from some post-war whitewashing of his actions during his tenure as Reich Economics Minister.

concentration camps; laws ordering the forced sale or liquidation of the remaining extant Jewish-owned industrial concerns came into force and Jewish retailers and craftsmen were banned from continuing to operate their businesses as well.

The Insurance Industry and Aryanization

As a result of the financial crisis of 1931, the German banking industry had come under the direct and indirect influence of the German government. The third-largest bank in Germany (the Danat) had ceased to exist entirely and was merged with the Dresdner Bank, which itself came under the de facto ownership of the German state. The Deutsche Bank, though not as seriously affected by crisis, had also relied on government loans to shore up its shaky standing and was forced to deposit a large number of its shares with the Deutsche Golddiskontbank.[14] Moreover, there were many smaller private banks owned by Jewish bankers.

The consequences of this restructuring were that the Nazis already had a strong foothold in the banking industry when they came to power in January 1933, and because of this, found a relatively simple matter to banish Jewish members of the boards of large banks, to Aryanize and dismantle privately-owned Jewish banks, and to seize the assets of Jewish customers. For example, by the spring of 1933, the three Jewish members of the Deutsche Bank's board had already been forced out of their positions by their non-Jewish colleagues.[15] Furthermore, Aryanization proved to be a profitable business for some German banks which either purchased the Jewish-owned competition or obtained hefty commissions for acting as trustees and facilitators of the process.

In contrast, although the private insurance industry cannot in any way be said to have been anti-Nazi, Aryanization evolved somewhat differently in the insurance industry and occurred at a different pace within the private insurance companies on the one hand and the public and DAF-owned companies on the other.

As with the banks, the first targets of Aryanization were the Jewish executives and members of the boards of directors of private insurance companies. However, the insurance industry differed from the banking industry on two key ways: the government did not exert direct control over any private insurance company as it did with the Dresdner Bank; moreover, there were no purely Jewish-owned insurance companies as there were Jewish-owned banks. Lastly, Jewish insurance agents (of whom there were 600 in Germany in June 1933[16]) had both Jewish and non-Jewish clients. All of these factors limited the ability of zealous party officials to Aryanize private insurers as quickly as they had Aryanized the banks.[17]

Nevertheless, private insurers were certainly not immune from the pressures to Aryanize. For example, the board of directors Nordstern received a communication from

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[14] The Deutsche Golddiskontbank was a subsidiary of the Deutsche Reichsbank.

[15] Harold James, *The Deutsche Bank and the Nazi Economic War Against the Jews*, (New York: Cambridge University Press, 2001), pp. 36-43.

[16] Arno Surminksi, *Versicherung unterm Hakenkreuz*, (Berlin: Ullstein Buchverlag, 1999), p. 111.

[17] However, the public insurers and the DAF-owned companies were freed from these constraints and undertook the Aryanization of their firms earlier than comparable private insurers.

the Nazi Party requesting that the company prove its "Aryan employment statistics." The Nazi press launched attacks against companies with Jewish board-members or shareholders in which they denounced a particular private insurance company as "Jewish" because a member of its corporate board or a high-up official in the company happened to be Jewish. The party also organized letter-writing campaigns from customers saying that they no longer wished to do business with a company that had Jews on its supervisory board. Most effectively, big clients and business partners were mobilized to pressure private insurers to Aryanize. For example, the *Deutsche Beamten-Wirschaftsbund* (the German White Collar Workers' Association), one of the most important clients of Hamburg-Mannheimer wrote to the insurance company in 1933, expressing the wish that Hamburg-Mannheimer free itself from the influence of "Jewish elements" and looking forward to the company's finding a "solution to this problem as soon as possible."[18]

In the first years of the Nazi regime, Aryanization of the private insurance industry proceeded for the most part at the highest levels among the boards of directors and top executives. The largest insurers and re-insurers, many with international businesses, were able to hold out against the prevailing climate of anti-Semitism the longest. However, after 1938, the dismissal of Jewish employees of insurance companies became both more pervasive and more systematic.

Although the November 1938 "*Reichskristallnacht*" provided the final impetus for companies to fire their Jewish employees, the process had already begun before the pogrom. In January 1937, a labor court in Berlin ruled that it was permissible for an insurance company to dismiss a Jewish employee without notice, on the grounds that public opinion called for the dismissal of Jewish employees of the insurance industry and because the company had allegedly suffered attacks in the press because of its failure to fire Jewish employees.

In an October 1938 report on a banking and insurance conference held under the auspices of the German Labor Front, the *Volksfürsorge* insurance company's periodical "Die Arbeit" reported that "the Jewish influence on the banking and insurance industry has vanished. Thanks to constant pressure by the Party and the DAF, the removal of non-Aryan members in leading positions in the Aryan credit institutes has been removed ... No more Jews are employed in the banking industry, and Jewish private banks and bankers have been forced to liquidate or hand over their business to Aryan businesses... Similarly we can report that the internal offices of the insurance industry are also cleansed of Jews. In order to accomplish the same task with the field-offices [i.e. insurance brokers and agents], which is still 10% Jewish, the Reich office for insurance has suggested some measures to the Reich Economics Ministry."[19]

There were, to be sure, individual cases where insurers protected or tried to protect their Jewish employees and board members, although they were unable to protect them to the extent that they could continue to do their jobs within Germany. It should be noted that these cases were exceptional and usually based on a personal relationship between the Jewish employee or board member and a powerful non-Jewish counterpart. For the

[18] Quoted in Surminski, p. 114.
[19] Quoted in Surminski, pp. 115-116.

vast number of mid- and lower-level employees there were no such protective measures and they lost their livelihoods just as Jewish employees of other industries did.

At least in the prewar period, the Nazi regime was unwilling to provoke international public opinion by simply cancelling the contracts of Jewish policyholders. Moreover, non-Jewish asset owners (such as those who provided mortgage loans) would have been imperiled by the cancellation of the property insurance of Jewish policyholders. Thus, pre-war attempts to revoke Jewish-owned insurance contracts were more subtle and protracted than the Aryanization of the businesses themselves.

Health insurance was the first branch of the industry to introduce anti-Jewish measures. As early as August 1933, Jewish doctors were forbidden from treating privately-insured patients, and lists of Jewish doctors were circulated to patients with the reminder that bills incurred with these doctors would not be reimbursed by their insurers. In 1934, the Reich Supervisory Office for Insurance was still urging restraint in the matter of pre-existing contracts held by non-Aryan policyholders, but by April 1940, the office ruled that Jews were not allowed to take out health insurance or be clients of private health insurers.[20]

Insurance companies that had specialized in policies for lawyers and notaries were particularly affected by the new anti-Jewish policies of the Nazi regime because Jewish participation in these fields far outstripped their percentage of the general population. The Deutsche Anwalts- und Notarversicherung (DANV) company commissioned a study in April 1933 to assess the impact of job losses among its Jewish policyholders. First of all the report established that the company had no way to tell which policies were held by Jews, since "there has never been a reason to establish this statistic before."[21] The company began to fear that it would not survive the dismissals of Jewish lawyers and notaries from their professions, as it lost premium income and a large portion of its portfolio throughout 1933. The first laws barring Jewish lawyers and notaries from their professions in April 1933 accounted for enormous job losses in these groups. To put it another way, at the beginning of 1933, there were 19,208 practicing lawyers in Germany; by the end of 1938, there were only 15,000, an attrition rate of approximately 20%.[22]

Deprived of their livelihoods, many policyholders cashed in insurance policies (and other financial assets) in order to pay their bills or, often, to pay off taxes that were mandated before they could emigrate. In Germany, the years 1937-1939 saw a "veritable flood of cash-ins" and Gerald Feldman estimates that most German Jews holding insurance had cashed in their policies prior to 1940.[23] The cash amount of cancelled policies rose from 290 million Reichsmarks in 1937 to 460 million Reichsmarks by 1939; and the value of repurchased policies went from 77 million to 134 million Reichsmarks during the same period.[24]

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[20] Surminski, pp. 149-153.
[21] Surminski, p. 154.
[22] In Berlin alone, 20.5% of practicing lawyers lost their jobs in April 1933; in Frankfurt, the figure was 18.1%, and in Königsberg and Breslau, the comparable numbers were 13.9% and 11.9%. Ibid.
[23] Gerlad Feldman, "Nazi Confiscation of Insurance Policy Assets", Proceedings of the Washington Conference on Holocaust-Era Assets, November 30-December 3, 1998, p. 600.
[24] Surminski, p. 155.

The large number of repurchases by Jewish policyholders naturally led to a drain on the cash reserves of insurance companies. Interestingly, despite this financial strain on the companies, there is only one instance in which an insurance company tried to avoid paying out the repurchase values to their Jewish policyholders. In November 1938, Isar Leben requested that the Economics Ministry and the Reich Supervisory Authority permit the company to refuse repayment of the repurchase value of Jewish-owned policies and instead turn these policies into premium-free policies. Isar, which had taken over the German portfolio of Phoenix Life in 1936, and had 20%-25% Jewish policyholders, argued that post-Kristallnacht wave of cash-ins was threatening the company's viability. The Reich Economics Ministry refused to grant Isar's request, since, in its view, there were no legal restrictions on the repurchase of life insurance policies held by Jews. Isar's repurchase expenses in 1938 amounted to 6.41 million RM as compared to 2.43 million RM in 1937.[25]

The Foreign Exchange Control Law of December 12, 1938, opened new ways for the state to discriminate against non-Aryan policyholders. Jewish-owned policies could be confiscated at will, and payments from insurance contracts were deposited in blocked accounts, rather than being paid out to the policyholder.

After the beginning of the war, the focus had shifted from indirect to direct confiscation: the 11th Decree of the Reich Citizenship Law of November 1941 mandated the loss of German citizenship for Jews whose place of residence was outside Germany. Their assets, including insurance policies and blocked accounts, became the property of the German state. By maintaining the fiction that Jews were "emigrating" to concentration camps and death-camps in the East, the state thus became the heir of the same individuals whom it had murdered.

The Decree also made insurance companies and banks liable for reporting these assets to the state within six months so the Reich could claim the proceeds of the policies. All life insurance policies held by Jewish policyholders were considered to have lapsed as of December 31, 1941 and their then-repurchase values would be taken over by the state. The insurance company owed the Reich the cash surrender value as determined at the stipulated time, plus 4% interest on arrears, calculated from December 31, 1941. The insurance contract was deemed to expire at the time of the money transfer.[26]

Despite the reporting requirements, it is unclear whether companies were actually able to comply with this mandate, considering that in 1941, eighty-nine insurance companies operating within the German Reich were responsible for a total of 30 million insurance policies and moreover, faced severe manpower shortages that made it difficult to go through their records to identify "Jewish" policyholders (a situation compounded by the fact that Jews and non-Jews might have similar names, e.g. Alfred Rosenberg, the Nazi party's chief ideologist). The six-month period was extended and leniency was promised to the insurance companies on the condition that the individual companies could prove that they had exercised due diligence in attempting to find Jewish assets. Nevertheless, companies were unable to compile comprehensive lists of Jewish policyholders, and it is

[25] Gerald D. Feldman, *Allianz and the German Insurance Business*, (New York: Cambridge University Press 2001), pp. 236-237.

[26] According to § 81 of the *Gesetz über die Beaufsichtigung der privaten Versicherungs-unternehmungen und Bausparkassen.*

more likely that the Gestapo gathered lists of policyholders and policy numbers from the declarations of Jewish assets and forwarded these to the companies for the calculation of repurchase values now owed to the state.[27]

Austria

The *Anschluss* of March 1938 released a wave of vicious personal attacks against Jewish residents of Austria, and the wild and uncontrolled looting and plundering of Jewish-owned shops, business and homes. Men wearing swastika armbands or claiming to be from the Gestapo carried out "searches" of apartments and took whatever they deemed valuable. Nearly 500 Viennese Jews committed suicide.[28]

The Nazi party hierarchy worried about the undisciplined looting because it had enriched private individuals while failing to benefit the state. Following the initial wave of looting, a far more systematic and bureaucratic process of plundering Jewish assets was introduced in Austria. Adolf Eichmann was put in charge of the *Zentralstelle für jüdische Auswanderung* (Central Office for Jewish Emigration); by 1940, the Austrian Jewish population had declined from 192,000 in 1934 to a mere 57,000.[29]

Before Austrian Jews were allowed to emigrate, they (like their German counterparts) were systematically stripped of their accumulated assets. Austrian Jews whose assets were in excess of 5,000 Reichsmarks were required to submit a declaration of their assets to the *Vermögensverkehrsstelle* (Property Office) before June 30, 1938. In Austria, 47,768 asset declarations were submitted and the number of life insurance policies registered were 20,815, valued at 50,656,800 RM, of which 49,142,100 RM were registered by Jews and 1,514,700 RM by "mixed-blood Aryans." Life insurance policies accordingly made up 2.48% of the total assets registered; 90% of these policies were registered in Vienna, 2% were accounted for by Austrian Jews living abroad or in the Old Reich and 8% by Jews living in the provinces of Austria.[30]

The preservation of these asset declarations in the Austrian state archives and detailed studies of their contents make it easier to discern a pattern among the insurance policies of Austrian Jews than among those of German Jews.

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[27] Feldman, in *Proceedings of the Washington Conference*, p. 603.
[28] Mark Mazower, *Hitler's Empire*: *How the Nazis Ruled Europe* (New York: The Penguin Press, 2008), p. 50.
[29] Ibid.
[30] Stiefel, Dieter Stiefel, *Die Österreichischen Lebensversicherungen und die NS-Zeit*, (Vienna: Böhlau, 2001) pp. 333-335.

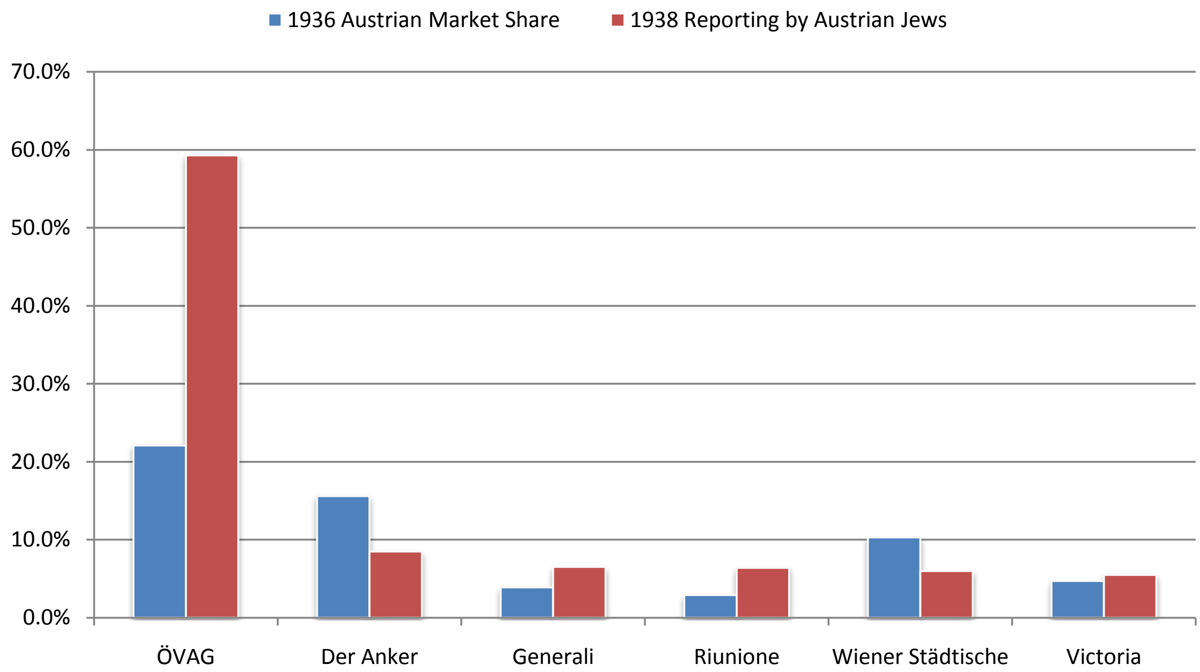

Figure 3

The vast majority (59.3%) of life insurance policies listed on Jewish asset declarations were with ÖVAG, the successor to Phoenix, While the proportion of Jewish policies held with ÖVAG is fairly commensurate with the 62% market share Phoenix enjoyed before the collapse, and the proportion of Jewish-held policies with the German Victoria company (5.5%) is also quite close to Victoria's 1936 market share (4.69%), other statistics reveal some differences in the pattern of Jewish-held insurance policies. For example, Jewish policyholders were about twice as likely to hold insurance with Riunione than the populace at large (6.4% versus 2.86%); Jewish policyholders were also more likely to have policies with Generali than the population at large (6.5% versus 3.86%). However, Jewish policyholders were substantially less likely to have insurance policies issued by the Austrian companies Der Anker and Wiener Städtische which had, respectively, 15.65% and 10.28% market shares of the entire Austrian market in 1936. However, only 8.5% of Jewish policies holders had insurance policies with Der Anker and only 6.0% had insurance policies with Wiener Städtische.[31]

The Jewish population held only half as many insurance policies as the Austrian average (Jews formed 2.8% of the population of Austria in 1934, but held only 1.4% of the insurance policies).[32] However, the cash surrender value of Jewish-owned policies (and thus most likely the face values) were significantly higher than that of the population in general. Insurance policies owned by local or regional authorities like Wiener Städtische whose portfolios contained a large number of insurance policies with extremely low amounts insured, accounted for fewer Jewish-held policies. Eighty-seven percent of the Jewish-held policies registered with the Property Office were held by the large private

[31] Author's calculations based on statistics from Stiefel, p. 334.
[32] Stiefel, p. 334.

insurance companies (ÖVAG and Der Anker) and the two Italian insurance companies, where the amounts insured were generally two to five times as high as the Austrian average.[33]

From 1938, the Austrian life insurance industry underwent two series of massive changes. The first set was initiated by Austrian Jews themselves, as a consequence of political and economic discrimination (surrender, exemption from contributions, policy losses and cessions); the second set were made directly by the German authorities as Austria and its industries were incorporated into the German Reich.

In most cases, Austrian Jews after the *Anschluss* were no longer in a position to pay their insurance premiums on account of economic discrimination, the revocation of professional licenses, and all the other ways in which they were denied the means to earn their livelihood. In many cases - especially in the case of Jewish emigrants – they were forced to cash in the surrender value of insurance policies was necessary so that they were in a position to pay discriminatory taxes.[34]

The cash surrenders initiated by Jewish policyholders were strongly resented by the Nazis. An attempt to limit surrender payments by insurance companies to 100 RM was, however, rejected by the Reich Economics Minister. The surrender payments to emigrants had to be transferred to a blocked account with the *Devisenstelle* (Foreign Currency Agency) while all other payments could still be freely effected.

Jewish policyholders also, of course, suffered the direct confiscation of their policies by the state. Tax foreclosures on insurance policies were frequent in cases where Jews fled or emigrated and were subsequently found guilty in absentia of alleged violations of foreign exchange regulations and were forced to pay additional taxes.

Prior to the beginning of the Second World War, the Nazi regime did not, at first, dare to pass a law under which all Jewish insurance contracts would have been terminated since it was feared that foreign courts would then attach German assets abroad. However, the 11th Decree of 1941 which stripped Jews who had emigrated abroad of their German citizenship applied equally to Austrian Jews. The post-war estimate of the amount transferred to the Reich by Austrian companies under Regulation Number 11 was about 1.917 million RM in addition to the 6 million RM paid by ÖVAG/Deutscher Ring.[35]

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[33] The low average values of Austrian policies in general was for the most part a result of the popularity of different forms of insurance (*Volksversicherung*, insurance associations and death benefit insurance) that were meant to cover the costs of the policyholder's funeral and provide a small sum for the bereaved family, rather than being used as a financial instrument for savings.

[34] The total amount of the Flight Tax paid to the fiscal authorities by Austrian Jews, was 181 million Reichsmarks, while the Jewish Property Tax (Juva) amounted to 147.5 million Reichsmarks. Some insurance companies were at times faced with considerable liquidity problems on account of the large number of surrender applications filed; in 1938 and 1939, it is estimated that as much as 23.1 million Reichsmarks were paid out in excessive redemption (i.e. above the normal rates of redemption in the years prior to the *Anschluss*). In some companies, cash surrenders in 1938 were almost four times as high as the year before, and in 1937/38, the premium income of the Austrian insurance companies dropped by 2,628 billion RM, or 6.4%.

[35] The old portfolio of Deutscher Ring Vienna, i.e. those policies originally in the portfolio of Lebens-Phoenix comprised a significant number of Jewish policies. Because of their wartime staff shortages, the company refused notification and the OFP Berlin in 1944 required Deutscher Ring to make an advance payment to the Reich in the amount of 6 million RM. Stiefel, p. 339.

The Protectorate of Bohemia and Moravia

From the first days of the German occupation, anti-Jewish measures against the Jews resident in the Protectorate of Bohemia and Moravia took effect. The Nazi authorities intended to "Germanize" the areas of the Protectorate and wished to fund Germanization through the appropriation and transfer of Jewish property either into the hands of the state or the German settlers from the Reich.

An order of March 29, 1939, prohibited the free sale or disposal of any economic enterprises, equity or property that was wholly or partially owned by Jews. All matters of Aryanization were to be conducted by the office of the *Reichsprotektor*, who also reserved the right to appoint German trustees for Jewish enterprises.

The most important and wide-ranging decree concerning Jewish property was issued by the *Reichsprotektor* on June 21, 1939. In it the definition of a "Jewish enterprise" was very broadly conceived. Aryanization was to apply if the proprietor or just one of the partners of an enterprise was Jewish; a joint-stock company was declared to be Jewish if one of the board members was Jewish, or a quarter of the equity was in Jewish hands. Furthermore, the *Reichsprotektor* was empowered to appoint trustees he considered suitable, which he could also order in the case of Czech-owned enterprises. From July 4, 1939, the Nuremberg Laws were to be applied in the Protectorate.

Further orders regulating Aryanization followed: On January 23, 1940, Jews were ordered deposit their securities with banks from which they could perform withdrawals only with the express permission of the Ministry of Finance. All Jewish property was transferred to the *Vermögensamt* (Asset Office) or *Auswanderungsfond* (Emigration Fund). Jews were only permitted to emigrate after they had handed over their property to the Nazi authorities. Exit visas were given to 27,000 Jewish applicants by the end of 1940, representing a massive transfer of assets from their Jewish owners to the German authorities.[36]

According to Provision 6 of the Order of March 29, 1940, Jews had to register all bonds and securities as well as gold, silver, jewels, art objects and collections of any kind that had a value of more than 10,000 Kcs with the authorities. Jews had to liquidate savings accounts by the end of 1940.

The first insurance regulation that was aimed directly at Jews was introduced on April 29, 1939; the Ministry of the Interior issued a circular entitled "Regulation of Insurance Conditions of non-Aryan Policyholders" which stated that Jews had to receive payments resulting from insurance policies only within a select group of banks; these bank accounts would be controlled by the state. Since the insurance companies did not know how to determine which clients were Jewish, a letter from the Association of Czechoslovak

[36] Alice Teichova, "Instruments of Economic Control and Exploitation: the German Occupation of Bohemia and Moravia" in Richard J. Overy, Gerhard Otto, and Johannes Houwink ten Cate eds. *Die "Neuordnung" Europas NS-Wirtschaftpolitik in den besetzten Gebieten*, (Berlin: Metropol, 1997), p. 101.

Insurance Companies to all its members, dated April 17, 1939, specified that every client had to sign a statement about his or her Aryan origins.[37]

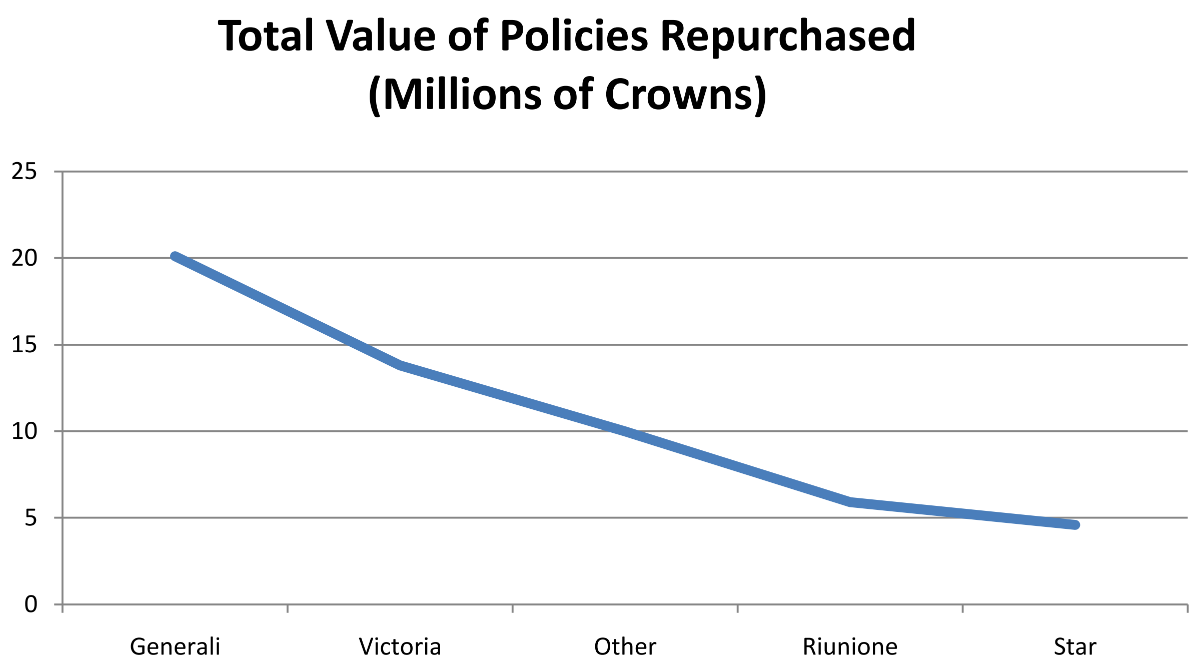
Jews were not allowed to change the conditions of their insurance policies, such as the name of the beneficiary. Exceptions could only be granted by the Ministry of the Interior, with the consent of the National Bank. Any benefit from an insurance policy in excess of 5,000 crowns could only be paid out to Jews with prior permission from the Ministry of the Interior and the National Bank; permission would not be given unless the claimant could show that the monies paid out would be used for public services or taxes, and would be transferred to the public revenue office directly.

On June 21, 1939, the *Reichsprotektor* of Bohemia and Moravia decreed that almost all property had to be registered by July 31, 1939, and that this property would be under the control of the Protectorate. Another regulation issued by the Finance Ministry in January 1940 stipulated that all payments to Jews had to go directly into their bank accounts which were by then under state control. By law, Jews could only withdraw up to 3,000 crowns from their bank accounts per month; however, they were obliged to pay from this amount, premiums for their private insurance policies up to the limit of 750 crowns per month. If the total amount of premium payments exceeded 750 crowns, a policyholder could apply to the Finance Ministry for permission to establish a higher monthly withdrawal limit. All of these complex regulations limited the ability of Jewish policyholders to cash in their policies.

Moreover, the application of all these regulations was so complicated that the Association of Insurance Companies published a special guide for the insurance industry with respect to Jewish laws. The guide addressed even such complexities as the issue of mixed-marriage households and how policyholders and beneficiaries were to be treated under these circumstances.

After the passage of the 11th Decree which stripped all Jewish "emigrants" of their assets and provided for their confiscation by the state, the seizure of Jewish insurance assets proceeded with ever-greater rapidity and efficiency. In July 1942, the Prague Gestapo office reported the confiscation of 54.4 million crowns in repurchase values, the bulk of which came from the portfolios of Generali, Victoria, Riunione and Star.

[37] Thomas Jellinek,"Insurance in the Nazi-Occupied Czech Lands," Proceedings of the Washington Conference on Holocaust-Era Assets, November 30-December 3, 1998, p. 612.



Slovakia

The persecution of Jews in Slovakia went through three phases. The first began in the fall of 1938, when Slovakia became autonomous, though not yet independent, under the terms of the Munich Agreement and lasted through Slovakia's declaration of independence in March 1939 until the summer of 1940. During this period, various suggestions for the rapid Aryanization of Jewish property took as their guiding principle the 4% rule – i.e. that Jews should only participate in the Slovak economy in a manner proportional to their percentage of the Slovak population. The official policy of the Slovak government of this period was as follows: "The Jews are not only to be seen as a foreign element, but also as the long-standing enemy of the Slovak State."[38]

The second phase of persecution lasted from the fall of 1940 until the summer of 1942. In September 1940, a special executive office – the Central Economic Office (Ústredný hospodársky úrad, or ÚHÚ) – was given virtually unlimited and dictatorial powers to resolve the "Jewish question" in Slovakia. The ÚHÚ introduced the mandatory registration of Jewish property; of some 89,000 Jews in the territory of the Slovak Republic at this time, nearly 55,000 filled out the required asset declarations (closely modeled on the Austrian and Czech versions). They reported a total of 4,3 billion Slovak crowns in assets, divided between agricultural land, industrial enterprises, houses, cash, securities, jewels, art object and other financial instruments including insurance policies.[39]

[38] Quoted in Ivan Kamenec, "Die Grundzüge des Arisierungsprozesses in der Slowakei," in *Theresienstädter Studien und Dokumente,* 2003, pp. 307-320.
[39] Kamenec, p. 310.

The final phase of persecution in quasi-independent Slovakia began in the spring of 1942. Between March and October 1942, the Slovak government, which had already deprived its Jewish residents of their property and their means of earning a living, turned over 57,000 Slovak Jews to the Germans at the borders of the country. Approximately 300 of them survived the war. Slovak President Josef Tiso halted the deportations in October 1942, but once the Germans occupied the country after an ill-fated national uprising in August 1944, deportations of Slovakia's remaining Jewish population resumed. Of the more than 70,000 Jews deported during the two phases, over 60,000 perished.[40]

Poland

The situation in Poland was still more complex; because half of the country was occupied by the Soviets from September 1939 until June 1941, and because they carried out their own seizures and confiscations from Poles and Jews based on the principle of class warfare, many individuals in Eastern Poland had already lost many of their assets by the time the Germans invaded in 1941.

In the parts of Poland annexed to the German Reich directly, the Central Trusteeship Agency for the East (*Haupttreuhandstelle Ost* - HTO), which was based in Berlin, took over the expropriation of Jewish assets. Bank accounts belonging to Polish Jews were already frozen in November 1939 and in January 1940, the HTO introduced compulsory registration of valuables. However, the effectiveness of these measures seems to have been substantially less than similar ones in Austria and Czechoslovakia.

Polish insurance companies were formally administered by the HTO; they were urged not to pay out insurance claims from their Jewish or Polish clients, but to transfer such funds directly to the Reichsbank.

The General Government, which set up its own Trusteeship Agency, and which was the site of four of the six German death camps, was also an efficient looter of Jewish property. By 1942, more than 200,000 Jewish-owned enterprises (many of miniscule size) were closed down, either by Aryanization, or more frequently, because of the murders of their owners.[41]

Like Poland, the Baltic countries were also occupied twice, first by the Soviet Union in 1939 and then by Nazi Germany in 1941. Because the insurance markets of the Baltic countries were relatively small, involved few foreign companies, and many policies had already been nationalized under the Soviet Gosstrakh, there were few formal regulations regarding insurance issued by the Germans.

Southeastern Europe

In Eastern and Southeastern Europe, the Germans employed a wide variety of allies to carry out their policies towards Jews, Communists and other 'undesirables.' In Croatia and

[40] "The Holocaust in Slovakia", United States Holocaust Memorial Museum, http://www.ushmm.org/wlc/en/article.php?ModuleId=10007324
[41] Dieter Pohl, "Der Raub an den Juden im besetzten Osteuropa, 1939-1942," in Goschler and Ther, pp. 58-72.

Slovakia, the regimes of Ante Pavelić and Joszef Tiso exploited nationalist discontent with the previous regimes (Yugoslavia and Czechoslovakia respectively) to become supreme leaders of German-backed puppet states. Romania and Hungary, though not at first ruled by Fascist regimes, cooperated intensively with German economic schemes for the region and were willing to hand over Jews in territories they had recently occupied to the German regime. Bulgaria, in contrast, though nominally a German ally, avoided open conflict with the Soviet Union despite German pressure to join the war effort on the Eastern Front.

Hungary

Hungary, which was not directly occupied by the Germans until 1944, had a slightly more complex trajectory. The so-called "First Jewish Bill" was introduced to the Hungarian parliament in April 1938 and enacted as Act XV 1938 the following month. The bill created a network of "Professional Chambers" similar to medieval guilds, which were explicitly meant to restrict the activities of Jewish citizens (at this point still defined by religious affiliation rather than by race) in such professions as the law, medicine, engineering, journalism and the theater.[42]

The Second Jewish Law (Act IV 1939) defined Jews in a manner hitherto unknown in Hungary: adopting the Nazi definition of a Jew as a racial category, irrespective of religious affiliation. Despite the opposition of the Church in Hungary to new laws that applied to practicing Jews and Catholic converts alike, the bill passed in May 1939. Its provisions were far more draconian even than those of its predecessor: Jews were barred from acquiring Hungarian citizenship; Jews were made ineligible to sit in the Upper House of the Hungarian Parliament; Jews could not vote unless they could prove their families had resided continuously in Hungary from 1867 onward, nor could any Jew become a candidate for any municipal elected or appointed post. All Jewish employees in the public sector were dismissed or forced into early retirement; although in practice, Jews formed a an extremely small percentage of public sector employees, at issue was the fundamental idea that it was impossible to be both Jewish and a loyal Hungarian citizen. More damaging economically were the strictures on the employment of Jews in white-collar jobs and in the liberal professions; their numbers in each Professional Chamber were capped at six percent.[43]

In practice, at least until the German installation of the fascist Arrow Cross regime of Ferenc Szalas in autumn 1944, the implementation of the anti-Semitic legislation was haphazard and sloppy and varied widely across sectors. In the public sector (and in the military), implementation was swift and efficient; Jewish officials and workers were dismissed within a year after the passage of the law. However, in the private sector, where most Jews were employed, there was little change in the role of Jews in the Hungarian economy until March 1944, particularly for those individuals or enterprises who were regarded as fundamental to the Hungarian economy. For the Hungarian regime, the pragmatic considerations of economic stability and growth initially outweighed the ideological commitment of anti-Semitism. Thus, Jewish policyholders were still able to access insurance policies for repurchase and to pay premiums until fairly late in the war.

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[42] Yehuda Don, "The Economic Effect of Antisemitic Discrimination: Hungarian Anti-Jewish Legislation, 1938-1944", Jewish Social Studies, vol. 48, No. 1 (Winter, 1986), p. 66.
[43] Ibid., p. 68.

Romania

As in Hungary and Slovakia, Romania was not directly occupied by German troops until almost the end of the war.[44] Nevertheless, anti-Semitism was a feature of Romanian political life. In the summer of 1940, Romania introduced anti-Jewish legislation barring Jews from participation in the army and civil service; Jews lost their positions as publishers, lawyers, doctors and pharmacists. Moreover, Jews were forbidden to purchase land or industrial enterprises at this time.[45]

Further legislation introduced in the fall of 1940 led to the seizure of more than a half-million hectares of agricultural land that had been the property of Jews. The beneficiary of these seizures was, overwhelmingly, the Romanian state.[46]

Romanian policy on Aryanization was, however, somewhat conflicted. Although an order of November 16, 1940, stated that Jews employed in private commercial and industrial enterprises should be removed in stages, there was never any law regarding the compulsory Aryanization of these larger enterprises. The Fascist Iron Guard, which was a part of the ruling coalition, favored so-called "voluntary" Aryanizations of smaller middle class businesses, which supported the ambitions of the petit bourgeoisie that formed the clientele of the Iron Guard. Although this process was not as widespread as in other countries and was far more chaotically organized, its effect was still devastating economically: by mid-1942, the unemployment rate of Romania's Jewish population was 44%.[47]

The Romanian state did not pass laws that directly confiscated Jewish assets; however, the government did not hesitate to extort money from Romanian Jews in return for guarantees of their physical safety. In July 1941, the Romanian government imposed a special tax on the Jewish community amounting to 10 billion Lei; the Romanian Finance Minister told the heads of Romania's Jewish communities that General Antonescu, the "Conducator" (Leader) of Romania would guarantee the lives of Romanian Jews in return for this payment. In May 1943, the Romanian government imposed another special fine totaling 4 billion Lei on Romania's Jews for "enjoying their lives while Romanian soldiers die on the front."[48]

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[44] However, portions of Romanian territory that were ceded to the Soviets in 1939 were taken over by the Germans in 1941 and Jews were deported from Romania proper to the area known as Transnistria.
[45] Tatjana Tönsmeyer, "Der Raub des jüdischen Eigentums in Ungarn, Rumänien und der Slowakei," in Goschler and Ther, pp. 74-75.
[46] Ibid., p. 75.
[47] Ibid., p. 77.
[48] Ibid., p. 79.

Restitution and Nationalization

Restitution in the Immediate Postwar Period

Even before the surrender of Germany in May 1945, one of the stated policies of the Allies was that, to whatever extent possible, reparations should be made to the victims of Nazi persecution. The January 1943 "Inter-Allied Declaration Against Acts of Dispossession Committed in Territories Under Enemy Occupation or Control" (London Declaration) established the principles on which postwar restitution would be carried out, namely that the transfers of property, rights and interests carried out by the Nazis would be considered to be invalid and illegal, whether "such transfers or dealings have taken the form of open looting or plunder, or of transactions apparently legal in form, even when they purport to be voluntarily effected."[1]

Restitution, i.e. the restoration of property which was confiscated or subjected to other forced transfers, varied in the countries which were either under the direct or indirect control of Nazi Germany. If the property to be restituted came under the control of the local government the process was relatively simple; however, when the property was in the hands of private individuals the methods of return were more complex.

In some countries, legislation was enacted immediately after the war; in others it took far longer (sometimes decades) to legislate and implement restitution schemes. Indeed, some argue that there are countries which have yet to enact any form of restitution. In addition, the authorities overseeing the process were as diverse as the laws themselves: restitution was the province of administrative bodies, courts, and specially created semi-judicial entities. The speed of the process also depended on the procedures involved, the number of claims presented, and the adjudicating organization.

Lastly, in many of the countries of Eastern and Central Europe, restitution became entangled in a further process of seizure and nationalization effected by the Communist regimes that were in power until the early 1990s. The same property could and often was seized multiple times from different individuals; an insurance policy might have been seized from its Jewish owners by the Nazis, then restituted to them or their heirs during the brief period between the end of Nazi occupation and the beginning of Communist rule, only to then have the company liquidated or nationalized by the new Communist regimes.

The ideology of these regimes precluded any great efforts to restitute private property to individuals. Moreover, in the interests of national unity, the stated public policy of many of the new Communist regimes was to downplay the victimization of Jews during the Holocaust as part of the greater complex of Nazi/Fascist criminality. In some instances, even finding documentary evidence of the existence of insurance policies was impossible until the fall of the Iron Curtain opened up Eastern and Central European archives for research.

[1] "Inter-Allied Declaration Against Acts of Dispossession Committed n Territories Under Enemy Occupation or Control", January 5, 1943.

Thus, it was not until the 1990s that many Holocaust-era insurance policies from the areas of Central and Eastern Europe could even begin to be considered for restitution to their rightful owners or their heirs.

The Federal Republic of Germany

The main purpose of the London Declaration was to assure victims that spoliation would not be condoned and that the would-be acquirers would not be permitted to keep their ill-gotten assets once the Allies were victorious. This notion was codified on November 10, 1947 by the Office of the Military Government United States Area of Control (OMGUS) Law No. 59: Restitution of Identifiable Property, which addressed the issue of confiscated property and general provisions on restitution.[2] By 1949, persecutees had already begun to file claims under Law No. 59, but the West German postwar restitution process was largely carried out by the government of the Federal Republic of Germany (formed in 1949 from the zones of prewar Germany occupied by Britain, France and the United States).

The Luxemburg Treaty of 1952 between the Federal Republic of Germany and the State of Israel provided for the establishment of the Conference of Jewish Material Claims Against Germany (the Claims Conference) to which the Federal Republic pledged 450 million Deutschmarks. In addition, the Federal Republic agreed, as the successor of the National Socialist regime, to provide the State of Israel with 3 billion Deutschmarks (DM) in goods for the next twelve to fourteen years. Furthermore, the Federal Republic agreed in principle to pass laws to provide compensation to individuals and their heirs and Jewish organizations for loss of livelihood, loss of life, loss of liberty, damages to health, to property and to income and the loss of educational opportunities and assets.

The first federal compensation law was passed in October 1953, and followed by the Federal Law for the Compensation of Victims of National Socialist Persecution (*Bundesentschädigungsgesetz* - BEG) of June 29, 1956. The Federal Restitution Law (*Bundesrückerstattungsgesetz* - BRüG), passed on July 19, 1957, laid out different categories of compensation and established procedures for claiming compensation.

The BEG provided a cutoff date at the end of 1969, which was extended to 1973. A further law, passed in 1994, after the reunification of Germany, provided for compensation to inhabitants of the former East Germany, who had not been entitled to BEG compensation before unification. By 1998, according to figures reported by the German Ministry of Finance, postwar German compensation and restitution programs had paid out a total of 102.1 billion DM to survivors.[3]

Despite this seemingly comprehensive program of restitution, there were major lacunae in the postwar German compensation process. First and foremost, only those who had

[2] The restitution laws for the Western Zones and sectors of Berlin were all fairly similar. In the French Zone Decree No. 120, based on French legislation regarding the same matter, was passed. A law similar to that in US Zone was enacted in the British Zone and was also called Military Government Law No. 59. It should be noted that no such restitution law was enacted in the Soviet Zone of occupation.
[3] Rudolph Gerlach, "Postwar Government Compensation Programs and Nationalizations" Proceedings of the Washington Conference, , November 30-December 3, 1998, p. 626.

been citizens of Germany within its 1937 boundaries could claim for property losses (such as insurance) which had to have taken place within those same 1937 boundaries.[4] Obviously, this left many persecutees from Austria, Czechoslovakia, Poland, etc., unable to claim for the insurance policies they had been forced to liquidate or which had been seized.

Furthermore, the huge territorial changes that affected Germany at the end of the war made it more difficult to file claims for assets that were not on the territory of the Federal Republic of Germany. First of all, the German boundary with Poland was shifted west, so that previously German cities such as Stettin and Breslau now became Polish, compensating Poland for their territorial losses to the Soviet Union in the east. Secondly, the Soviet-occupied zone of Germany became the German Democratic Republic, under a Communist regime, which did not undertake the restitution of private property seized by the Nazis.

Theoretically, the German federal compensation laws applied to Individuals who had been prewar residents of the areas ceded to Poland or that were now part of the German Democratic Republic, but in practice it was much harder to prove the existence and ownership of assets when the branches of banks and insurance companies were nationalized and records were archived behind the Iron Curtain. Moreover, there could be no restitution by the government of the Federal Republic of Germany of physical property that was outside its national boundaries.

The process of restitution of assets formerly held in what was the German Democratic Republic was further hampered by the Federal Republic's "Hallstein Doctrine" on foreign policy: the government of the Federal Republic of Germany did not recognize the German Democratic Republic nor would it establish or maintain diplomatic relations with any state that recognized the German Democratic Republic with the exception of the USSR. The government of the Federal Republic maintained this stance until 1970.

The German Federal government assumed the responsibility for paying out the proceeds of insurance policies (rather than shifting the burden to the insurance companies themselves) because insurance companies had been compelled to invest heavily in government bonds, now rendered virtually worthless by the 1948 currency reform that established the new Deutschmark as the official currency of the Federal Republic at the rate of ten Reichsmarks to one Deutschmark. Since the calculation of insurance benefits under the compensation law was to be made as if the policyholder had continued to hold the policies (unpaid premiums and payments made directly to the policyholder were deducted from compensation, but any payments to government authorities, blocked accounts or seizures were compensated), the insurance companies would have been required to pay out too many obligations to remain solvent.

The sole obligation of the insurance companies was to answer all questions regarding the policies being reviewed by compensation authorities, and the Federal supervisory authority audited insurance company records to ensure that the companies were accurately

[4] Claims for other types of compensation (loss of life, liberty, damage to health, etc.) were not geographically limited in the same way.

calculating the amount of compensation due. The actual compensation amounts were paid out by the Federal government.

Some policyholders left out by the provisions of the BEG were able to apply for compensation under the German *Lastensausgleichsgesetz* (LAG), a German program set up to compensate some of the twelve million Germans who had been expelled from Czechoslovakia and Poland at the end of the war for the property losses they had suffered. However, since the LAG did not deal with Nazi persecution, the rates at which compensation was calculated were far less generous, and those former Czech and Polish Jewish policyholders who received LAG compensation received only a pittance of what they would have been entitled to had they met the citizenship requirements of the BEG.

In other words, although the BEG was a huge and unprecedented program of compensation, it was not as comprehensive as it might have been, and thousands of erstwhile policyholders from countries that Germany invaded, who had never been paid because their policies were nationalized, were left with useless, if decorative, pieces of paper and no way to seek restitution for their losses.

BEG/ BRüG	LAG
• Indeminifcation of assets (including insurance policies) seized under Nazi persecution. Persecutee and assets had to be on territory of German Reich in 1937.	• Indeminification for German-speaking residents of Eastern Europe whose property was confiscated by the Communist regimes.

Austria

The first Austrian Restitution Law was passed in July 1946, and was soon superseded by the Second Restitution law of February 6, 1947, which dealt with confiscated assets that were now in the possession of the Austrian Republic. The Third Restitution Law (the most controversial of the three because it dealt with the restitution of assets that had been seized and were now in the possession of private individuals) was also passed in 1947. Between 1947 and 1949, a further four restitution laws were also passed.[5]

As of December 21, 1945, Austria re-adopted its pre-1938 currency, the schilling. Although the original conversion of schillings to Reichsmarks in 1938 had been at the rate of 1.5 Schillings to 1 Reichsmark, the new exchange rate was set at parity (i.e. 1 Reichsmark = 1 "new" schilling.)

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[5] These laws dealt with dealing with specific types of seizures (of firms that had been liquidated; of the rights of juridical persons; of patents and trademarks; and of workplace rights and contracts). Brigitte Bailer-Galanda, "Rückstellung und Entschädigung" in Dieter Stiefel, ed., *Die politische Ökonomie des Holocaust: Zur Wirtschaftlichen Logik von Verfolgung und Wiedergutmachung"* (Vienna: Verlag für Geschichte und Politik, 2001), pp. 57-75.

The Insurance Companies Transition Act of July 13, 1946, limited payment of life insurance claims to 40%; amounts up to 400 schillings were paid out in full. Jewish-owned policies which had been seized but not yet paid out were honored following presentation of a restitution order issued by the relevant *Finanzlandesdirektion* (local fiscal authority). Thanks to lobbying by the insurance companies, insurance policies for which Jewish policyholders had received payments by way of cash surrender were deemed to have expired, just as insurance policies that had been seized and paid out individually or collectively under the provisions of "Regulation Number 11" were also deemed to have expired. The companies argued that they should not be forced to pay out policies they had already paid to the German Reich; the material and moral responsibility for restitution of assets rested with the new government of Austria, the successors to the public authorities that had seized the policies in the first place.

Increasing pressure on the Austrians finally led to the State Treaty of 1955, which stipulated that all German property on the territory of Austria, including that of the insurance sector, became the property of the Republic of Austria. The conclusion of the State Treaty paved the way for the Insurance Reconstruction Act of September 8, 1955. Under this act insurance companies were instructed to draw up a balance sheet for the years 1945-1954 and all life insurance contracts concluded before January 1, 1946 were reduced by 60%. This was in line with the measures taken in respect to cash and bank accounts, and applied to the domestic portfolios of insurance companies authorized to operate in Austria.

The Insurance Reconstruction Act required all policyholders to register their insurance claims within two years. While other restitution laws in Austria had expressly suspended the statute of limitations for victims of political persecution, the Insurance Reconstruction Act of 1955 envisaged a two-year time limit for all extant insurance claims which would otherwise be forfeited. This meant that all claims based on insurance contracts concluded before January 1, 1946 were recognized provided that they were registered within two years (i.e. before September 30, 1957). After that deadline such claims were deemed to have irrevocably expired.

Restitution in Austria was further complicated by the special case of ÖVAG. Although the postwar ownership of ÖVAG reverted back from Deutscher Ring to the companies that had contributed to the formation of ÖVAG in 1936, the companies were in parlous financial states and were unable to administer the former Phoenix policies. The Austrian state appointed a public administrator for the company.

Under the Insurance Reconstruction Act of1955, it became possible to make claims for both Jewish policies confiscated under the Nazi Regulation Number 11 and for other unpaid ÖVAG policies, within the prescribed two-year period. ÖVAG developed special application forms listing the requirements for restitution claims with respect to lapsed policies and sent them to all policyholders whose addresses were known to the company. Since many of ÖVAG's Jewish policyholders had either been deported and had perished or had emigrated, only a small subset of the policyholders were aware of their ability to file claims for their policies.

Furthermore, the Insurance Reconstruction Act did not solve the problem of life insurance policies confiscated by the Third Reich from companies other than ÖVAG. Since the insurance companies had, under Austrian law, met their contractual obligations by paying out the surrender values of the policies, it was virtually impossible to file a claim for these policies.

In 1958, thirteen years after the end of the Third Reich, the Austrian *Entschädigungsgesetz* (the Federal Act Governing Compensation for Life Insurance Policies Confiscated by the German Reich) was adopted. Under this law, those who had lost their policies on the basis of measures promulgated by the German Reich that were contrary to international law and principles of human rights would finally have their property reinstated.

By September 1959, 456 of a total of 1000 claims had been decided in favor of the policyholders and a total of 1.4 million schillings had been paid out. The average amount per policy was 3,086 schillings. Unsurprisingly, ÖVAG accounted for 57% of the applications and 58% of the payments.

Unlike the German restitution laws which applied the so-called "Old Savers' Compensation" to insurance policies and other financial assets, Austrian law foresaw no valorization of the amounts to be paid to policyholders. Thus, those who received payments under the Austrian Insurance Reconstruction Act and the Indemnification Act suffered monetary losses of something like 90%. Moreover, the Insurance Reconstruction Act provided for an additional 60% devaluation, so the amounts received in some cases amounted to as little as 4% of the 1938 value of their policies. Although these measures were not discriminatory in that they did not specifically apply to Jewish-owned policies, the failure to recognize the special circumstances under which Jewish policyholders had lost their policies meant that Austrian restitution measures were unsatisfactory and incomplete in comparison those of Germany.

Czechoslovakia

The problem of the restitution of Jewish property in Czechoslovakia after World War II was closely linked to the complex political, social and economic developments of the immediate post-war period, which included the expulsion of German-speaking residents as well as the re-incorporation of Slovakia.

The Czechoslovak government in exile had already declared property transfers that had taken place under the Nazis to be null and void as early as 1938. A decree of February 1, 1945, adopted the principle of the restitution of property that had been transferred under racial or political persecution.

In October 1945, the Czechoslovak government also declared that the property of the citizens of enemy states or persons of German or Hungarian nationality who had acted against the interests of the Czechoslovak state as well as property belonging to those deemed to have acted treacherously or as collaborators with the Germans would be forfeit to the Czechoslovak state. The property seized under this law was administered by the *Fond národní obnovy* (Fund for national renewal). In addition, key industries such as banks and industrial enterprises with more than 150 employees were to be nationalized. Naturally, this meant that any Jewish owners of such businesses would not be able to seek compensation or restitution for having had their property seized by the Nazis.

The Czechoslovak government's Decree No. 5 of May 1945, placed all private insurance companies in Czechoslovakia under government administration. A further decree from October 1945 provided that "on the day this decree is published, contractual (private) insurance in the territory of the Czechoslovak Republic is nationalized by the state." Insurance payments to policyholders were blocked, until 1953, when they were formally cancelled.[6]

Holocaust victims were able to seek the restitution of smaller properties, although the responsibility for administering such restitution claims quite often rested with partially or completely unsympathetic local bureaucracies. In a whole series of cases, restitution of Jewish assets was ruled out because their seizure was a fait accompli in the weeks after liberation. Even former inmates of concentration camps were not given any special treatment in terms of having their property restituted.[7]

Moreover, applicants for restitution had first to clarify their citizenship (a difficult process considering the various territorial adjustments that had been made to Czechoslovakia). Then a government ministry had to determine whether the restitution of their property would make them members of a different, higher social class. Claimants encountered difficulties at virtually every stage of the process: they were required first to find and identify the property in question, then to prove their ownership rights, and finally to prove that the property truly had been seized as a result of persecution. Naturally, such a process was time-consuming and, in many instances, almost impossible given how many previous owners had perished during the war. At the same time, Czechoslovak laws shielded current owners who had purchased Jewish property "in good conscience"; in such cases, claimants would not have their property restored, but would instead receive a meager financial award. The Czechoslovak Council of Jewish Communities pointed angrily to the differential treatment of Jewish and non-Jewish claimants for restitution, not least the extremely short periods given to applicants to file claims, which were nearly impossible for anyone not residing within Czechoslovakia.[8]

Given all these hurdles, it is not surprising that very few restitution cases had been decided by June 1948, when Czechoslovakia became a Communist state.

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In the other states of Eastern and Central Europe, which became Soviet satellites by the late 1940s, attempts to restitute property seized as a result of persecution were either non-existent or lasted for so short a time that there was virtually no possibility for anyone to file claims.

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[6] Vojtech Mastny, "The Impact of Post-World War II Nationalizations and Expropriations in East Central Europe on Holocaust-Related Assets", in Proceedings of the Washington Conference, pp. 656-657.

[7] Eduard Kubů and Jan Kuklik, jun., "Ungewollte Restitution: Die Rückerstattung jüdischen Eigentums in den böhmischen Ländern nach dem Zweiten Weltkrieg," in Goschler and Ther, pp.184-204.

[8] Kubů and Kuklik, p. 193.

Poland

The question of restitution in Poland was made more fractious because of the dual occupation of the country in 1939. In Western and Central Poland, property of Holocaust victims had been directly seized by the German Reich or by its troops and officials. However, in Eastern Poland, the seizures by the Reich were more indirect, given that much of the private property had already been nationalized by the Soviets between 1939 and 1941, only to then be seized by the Germans and eventually returned to the Polish state after 1945. In other words, in much of Eastern Poland, the Polish state found itself the owner of the property of Holocaust victims, although this same situation was not the case in Western and Central Poland, where the primary beneficiaries of spoliation were the German state and individual German citizens. Lastly, a small portion of the assets of Holocaust victims were in the hands of private Polish citizens, some of whom had been entrusted with items of value by their Jewish neighbors, and some of whom had opportunistically chosen to enrich themselves at the expense of their former neighbors either through direct robbery or through using the black markets that thrived within and alongside the Nazi-created ghettos of Poland.

Of all the nations occupied by Nazi Germany, Poland suffered by far the greatest territorial losses at the end of the war. Poland lost nearly half of its prewar territory to the Soviet Union, including cities such as Vilna and Lvov as well as hundreds of smaller towns and villages that had had large Jewish populations before 1939. To compensate, Poland's western borders were shifted 125 miles to the west, incorporating territories that had previously been German or belonged to the Free City of Danzig, and comprising one-third of the territory of the new Polish Republic. In total, postwar Poland was 20% smaller than the boundaries of 1938.[9] Polish residents of the areas of Eastern Poland now seized by the USSR were resettled in the areas Poland had received from Germany, taking over sometimes intact houses, farms, and industries from their former German occupants, nearly all of whom had been expelled.

Approximately 3.3 million Jews lived in Poland before 1939; only about 250,000 survived the war.[10] Because families (and indeed many villages) had been murdered in their entirety, there were no heirs for many Jewish assets. The Polish government ruled that only prewar owners or near relatives (spouses, parents, children and grandchildren) of the owners would be able to apply for restitution. Even for near relatives of the deceased, the difficulties in seeking restitution were enormous. A survivor had to prove that he was the only surviving heir of the deceased, which, under the chaotic circumstances of postwar Poland, was virtually impossible. The rationale of the Communist national assembly for placing these hurdles in the paths of Holocaust survivors was that the unrestricted

[9] Dariusz Stola, "Die polnishce Debatte um Holocaust und Rückerstattung von Eigentum," in Goschler and Ther, p. 209.

[10] Ibid., p. 210. The largest group of surviving Polish Jews were those who had spent the war years in Siberia and Central Asia, to where they had been deported by the Soviets in 1940 and 1941. These Polish Jews were "repatriated" not to their original homes in Eastern Poland, but to the new western Polish areas, predominantly in Silesia, receiving formerly German property under the same conditions as Polish settlers in these areas.

restitution of assets would lead to their concentration in the hands a few individuals, which would be unjust, economically unproductive and would create an anti-Semitic climate.[11]

All property that was not restituted to individuals was considered "abandoned", subject to administration by the state and eventually nationalized.

Decree No. 23 of January 3rd, 1947, provided that all local and foreign private insurance agencies, some of which were already in liquidation, lost their right to conduct business in Poland. Only two prewar insurance companies (Warta and the PZU) were given licenses to conduct business, although they were both nationalized. The PZU took over the management and property of the liquidated insurance companies. The policyholders of the English insurance companies Alliance and Prudential and of the Italian Generali and RAS were told to contact the headquarters of these companies in London, Trieste and Milan respectively, although this proved an exercise in futility for the policyholders. Eventually, in the 1960s, the Polish state did cover payments to current policyholders of these companies, provided that the policyholders still resided in Poland.[12]

Hungary

Despite the fact that Hungary – unlike Czechoslovakia and Poland – had been a German ally until very late in the war, Stalin decided that the Communists would take power gradually, to deflect Western criticism of the Communists' seizure of power in other Eastern European states. Thus, in the immediate postwar period, he instructed Hungarian Communist leaders to share power with other parties in coalition governments. However, by September 1947, with Czechoslovak and Polish Communists taking positions independent from Moscow (particularly in regard to accepting Marshall Plan aid from the United States) and with the dismissal of Communists from governments in France and Italy, Stalin took a much harder line and the Communists assumed full control of the government of Hungary.

Nine German- and Austrian-owned insurance companies (including the Hungarian branches and subsidiaries of Allianz, Anker and Victoria) were taken over in 1945 by the Russian-owned Hungarian-registered East European Insurance Company. Decree No. 6400 of June 6, 1946, cancelled the payment of all obligations (i.e. both the payment of premiums by policyholders and the payment of proceeds from the insurance companies) incurred under insurance policies contracted before January 1, 1945, pending a revaluation order. The East European Insurance Company was transferred to the Hungarian state in late 1954 and eventually merged into the Hungarian State Insurance Company. The two Italian insurers, RAS and Generali, were not nationalized in quite the same way and formally existed in Hungary until 1950, when they were forcibly liquidated by the Hungarian government, which took over their real-estate holdings as well.[13]

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[11] Ibid., p.210.
[12] Elzbieta Turkowska-Tyrluk, *Proceedings of the Washington Conference*, p.661-663.
[13] Foldi, pp. 637-638

Southeastern Europe and the Baltics

Bulgaria enacted legislation on March 2, 1945 which called for the return of confiscated real property (when in the possession of the state itself, "sales" to private individuals were validated), businesses, financial assets include the revalidation of insurance policies, and other movable property. Under the terms of the law, restitution and compensation payments were limited to 50,000 leva under any category. Any payment in excess of the 50,000 leva was issued in non-interest bearing government bonds.

Georgi Dimitrov, the Communist leader of Bulgaria, was appointed the head of a nominally multi-party ruling coalition in 1946. In December 1947, under Dimitrov's guidance, Bulgaria ratified a new Communist constitution; by this time, all private industry had been confiscated and financial enterprises nationalized.[14]

Romanian restitution legislation (December 1945 and August 1945) was somewhat more complex than that of Bulgaria as it took into account the different circumstances and methods of spoliation. In addition, special measures were enacted in Northern Transylvania which was under Hungarian rule during the war. Nominally the Romanian restitution decrees were generous, nullifying numerous transactions including sale of real property and loss of employment. However, in practice original owners were not easily able to recover their lost property as many exceptions were incorporated into the legislation.

Romania had a de-facto Communist government backed by the Soviet troops from March 1945 onwards, although the rigged election that formally made the Communist party the largest in the parliament did not take place until November 1946. Nationalization of Romanian banks and industry began in 1945, and was completed in June 1948, when the Communist-dominated National Assembly finalized the nationalization of bank, industries, and insurance companies to the point where the state controlled 90% of Romania's industry. [15]

Restitution in Yugoslavia was severely limited and only available to individuals who were resident in the county. Under Yugoslavia's legislation passed on May 24, 1945 and amended on August 2, 1946, individuals who lost their property as a result of flight in the face of occupation, confiscation, or which were transferred under duress were eligible for restitution. Property within the scope of this legislation included real estate, businesses, securities, and property rights.

Yugoslavia's law on the nationalization of private economic enterprises took effect on December 5, 1946. All private economic enterprises in forty-two industries, including all their movable and immovable property as well as any other property rights belonging to them were transferred to the ownership of the state on this date. A further law of April 28, 1948 nationalized all credit and insurance.

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[14] Glenn E. Curtis, ed. *Bulgaria: A Country Study*. Washington: GPO for the Library of Congress, 1992.
[15] Ronald D. Bachman, ed. *Romania: A Country Study*. Washington: GPO for the Library of Congress, 1989.

After the Second World War, the three Baltic nations of Estonia, Latvia and Lithuania were incorporated directly into the USSR as constituent republics and the few insurance companies extant in these countries were replaced by Gosstrakh, the Soviet state insurance scheme.

Other Efforts at Restitution

The Foreign Claims Settlement Commission

After the relative thaw in East-West relations occasioned by Stalin's death in 1953, some East European governments concluded agreements with the United States and other Western countries to compensate for losses suffered by former nationals now living in the West. These agreements provided for lump sum payments by the governments of these countries to the Western government in question; the former property-owners then applied to their own governments for redress. Although some Jewish insurance policy holders received payments through these schemes, the lump sums provided by the East European governments were not large enough to provide any adequate compensation for the property lost.

The United States Foreign Claims Settlement Commission – a quasi-judicial, independent agency within the Department of Justice adjudicated the claims of some victims of Nazi persecution who were US nationals, and who had claimed for losses suffered thanks to Communist nationalizations in Eastern Europe. Funds for the payments of the Commission's awards were derived from the payments made as indemnification of nationalized property to the United States from the governments of Poland and Czechoslovakia.

Contemporary Restitution Programs

Restitution in the Former East Germany

The postwar German restitution programs adopted by the Federal Republic did not have any counterparts in the German Democratic Republic. Indeed, the Soviet Military administration de facto confirmed the Aryanization of Jewish property in the German Democratic Republic. Aryanized properties were seized under Order 124 issued on October 30, 1945 by the Soviet Military Administration; a further Soviet military order Number 64 of April 17, 1948, transferred these properties to the government of the German Democratic Republic to aid in constructing a socialist economic structure.

The lone attempt at postwar restitution in East Germany was in the state of Thüringen, where on September 14, 1945, the Chief of the Soviet Military Administration issued a restitution law which created a legal framework for the return of property to those persecuted under National Socialism. A small number of Holocaust victims living in East Germany were able to use this law to gain back some of their property, but for the majority of persecutes living in the German Democratic Republic, there was no opportunity to have property restituted to them, although they did receive some special pensions and social services from the state. Needless to say, those former residents of the GDR who lived abroad were not eligible for the return of their property, pensions or any kind of social services.[16]

After the fall of the Berlin Wall in 1989, the question of nationalized property in the German Democratic Republic became an increasingly important one. A property law was incorporated in the treaty that reunified East and West Germany, and altered in July 1992 to make it more favorable to those who had lost their property due to Nazi persecution. This law covered both property nationalized under the East German regime and property seized as a result of Nazi persecution. Insofar as the legitimate heirs to the property made no claims or the state had declared itself the heir, the Conference on Jewish Material Claims Against Germany was to be declared the rightful successor.

The International Commission on Holocaust Era Insurance Claims

Despite various restitution and compensation programs instituted both in the immediate postwar period and in the aftermath of the fall of the Iron Curtain in 1989, beneficiaries of insurance policies held by victims of Nazi persecution had yet to receive payment for those policies. In September of 1997, the National Association of Insurance Commissioners (NAIC) established a Holocaust Insurance Issues Working Group to examine the issue and to make a recommendation as to the appropriate role for the NAIC and state insurance departments. The Working Group conducted hearings throughout the country and also looked at the progress of several state insurance departments[17], which were encouraging potential claimants to provide information that might help facilitate claims payments.

Early in 1998, the New York State and California Insurance Departments, four European insurance companies, as well as the World Jewish Restitution Organization, the World Jewish Congress and the Conference on Jewish Material Claims Against Germany, entered into a Memorandum of Intent that set out six criteria for the resolution of these unpaid insurance claims as follows: (1) establishment of a process to investigate the insurance claims of Holocaust survivors; (2) consultation with European government officials and the insurance industry about this problem; (3) establishment of an international commission comprised of governmental authorities, insurers and world Jewish organizations; (4) establishment of a just mechanism for resolution of unpaid claims; (5) exemption from state regulatory actions and legislation for insurers participating in the process and efforts to resolve all litigation against these insurers; and (6) establishment of a fund to provide humanitarian relief to Holocaust survivors.

Immediately following, the NAIC established the International Holocaust Commission Task Force (NAIC Task Force) to succeed the NAIC Working Group. The goal of the NAIC Task Force was to work with European insurance regulators, European insurers and

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[16] Christian Meyer-Seitz, "Die Entwicklung der Rückerstattung in den neuen Bundesländern seit 1989" in Constantin Goschler and Jürgen Lillteicher, *"Arisierung" und Restitution: Die Rückerstattung jüdischen Eigentums in Deutschland und Österreich nach 1945 und 1989*, Göttingen: Wallstein Verlag, 2002, p. 265.

[17] New York had already begun investigation into the activities, prior to and during the Second World War, of Swiss banks and quickly followed with the creation of the New York State Governmental Commission on the Recovery of Holocaust Victims' Assets and the establishment of the Holocaust Claims Processing Office.

Holocaust survivors to establish the international commission contemplated in the Memorandum of Intent to facilitate claims payments to Holocaust victims, survivors and their heirs.

Negotiations ensued among the NAIC Task Force, European insurance regulators from France, Germany, Italy, Austria and Switzerland, European insurance companies and the Jewish groups throughout the summer of 1998 in an effort to enlist their support for the international commission. These negotiations resulted in the execution of a Memorandum of Understanding by various European insurance companies and the members of the NAIC Task Force. The Memorandum of Understanding was also signed by the World Jewish Restitution Organization, the Conference on Jewish Material Claims Against Germany and 49 insurance commissioners of the United States.

The Memorandum of Understanding established the International Commission on Holocaust Era Insurance Claims (ICHEIC) to investigate and resolve unpaid insurance claims of Holocaust victims, survivors and their heirs. After a world wide outreach effort, ICHEIC received over 90,000 claims forms from individuals seeking the proceeds of unpaid insurance policies. ICHEIC then sent the completed claims forms to the insurance company the claimant named in his/her claim. If the claimant was unable to name any company the claim form was sent to all member companies/entities of ICHEIC that could have sold insurance in the region the policyholder was reported to reside. The company named (or the organization responsible) then investigate the claim according to the relaxed standards of proof agreed and audited by ICHEIC. The company then communicated the outcome of their research and any resulting offer or denial of the claim directly with the applicant (in some cases appeal information was included).

All offers were made based on ICHEIC's valuation guidelines, which attempted to assign a present-day value to financial assets that were held 60-70 years ago, allowing for changes in the currency of issuance, general economic circumstances and interest during the years from the insured event and the present-day. Moreover, ICHEIC also paid interest from the date of ICHEIC's founding through the date of the offer on those offers made through the ICHEIC process. Initially, the interest rate mirrored that of 30-year US Treasury bonds (the so-called "long bonds") and subsequently shifted to a 5% per annum interest rate in 2004.

Policies issued in West European countries other than Germany used the base value (the value at the time of issue or the paid-up value in 1945, depending on the fate of the policyholder) in the currency of issue and used multipliers based on the date on the insured event to establish a current value. In the case of Germany, ICHEIC used the guidelines established by the German Federal Compensation Law (BEG) under which many German insurance policies had been compensated by the German government to value claims until 1969 (the deadline for German compensation claims). This value was multiplied by 8, to bring the 1969 value up to the year 2000, and then the same multipliers were used as for the rest of Western Europe. In the case of Germany and all other Western European countries, payments on policies written in the local currency were made in Euros after January 2002. For German claims, ICHEIC established a minimum payment of $4000 for survivors and $3000 for non-survivor claimants.

For policies issued in so-called “hard” currencies (UK sterling, Swiss francs, and US dollars), ICHEIC created a different set of multipliers that incorporated bond yields for government bonds issued by those countries. The multiplier, which varied depending on the date of the insured event, was then applied to the original hard-currency insured sum (or paid-up value). These multipliers applied to policies issued in both Western and Eastern Europe, provided that the policies had not been converted by law of general application into the local currency prior to the deemed date of the beginning of Nazi persecution in that particular country.

For policies issued in Eastern Europe, assigning a current-day value was somewhat more difficult, as several of the currencies extant in the 1930s had ceased to exist after the war or had been massively devalued because of inflation. Therefore, policies denominated in Eastern European currencies were converted to 1938 US dollars at 1938 exchange rates discounted by 30% to account for inflation. The 1938 US dollar sum was then multiplied by a factor of 10, to account for changes in the value of the dollar in the intervening time, and then ICHEIC’s interest rates based on the value of US Treasury bonds were applied from 1998 until the date of the offer.

Member companies that found no trace of any policy matching the claimant's claim informed ICHEIC of this result. If additional investigations failed to produce further evidence of an insurance policy with a particular insurance company, a claimant may have been eligible for a payment from a specific humanitarian fund established by ICHEIC. These humanitarian payment decisions were not subject to appeal.

As of the March 31, 2004 filing deadline, of the more than 90,000 claims received by ICHEIC, companies and partner agencies extended over 14,000 offers totaling over $238 million, of which nearly $100 million was issued to claimants who did not name an insurance company and whose awards were the result of ICHEIC’s extensive research and matching efforts. Through ICHEIC’s humanitarian claims processes more than $30.5 million was distributed for claims on policies written by companies nationalized or liquidated after World War II and for which no present-day successor could be identified. An additional $31.2 million was also distributed on eligible undocumented claims that contained a high level of anecdotal information regarding insurance but could not be matched against company records. ICHEIC’s humanitarian claims processes enabled more than 34,000 Holocaust victims or their heirs, who would not have otherwise been able to submit claims, to receive compensation.

Prudential plc

Through Prudential Assurance Company Limited and its subsidiary "Przezornosc"[18] Prudential plc[19] issued life insurance policies in Poland prior to World War II. Przezornosc

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[18] A now defunct Polish company in which Prudential Assurance acquired a controlling interest in 1927.

[19] Prudential was founded 1848 as the *The Prudential Mutual Assurance Investment and Loan Association* . The company made its first acquisitions in the 1860s and as a result was renamed *The British Prudential and Consolidated Assurance Company*. This was shortened to *The Prudential Assurance Company* (PAC) in 1867.Initially the company aimed to provide professional people with loans secured by life assurance. This market broadened during the second half of the nineteenth century when insurance policies were sold to the working classes. Prudential grew extremely quickly following the introduction of its Industrial Branch and by the 1900s the company insured one third of the UK population.

continued to issue life policies in Poland until 31 December 1936, and Prudential Assurance issued life policies in Poland from 1 January 1933 to 31 December 1936. With effect from 1 January 1937 both companies ceased to accept new life business and the administration of the two portfolios was combined.

Based on notes of surviving records that existed in Prudential Assurance's London office there were 4,623 policies in force in Poland at the outbreak of World War II in 1939. Over 40% of these policies have been settled since the early 1950s despite significant gaps in the company's records, due in no small part to their destruction in Poland under Nazi Occupation. The assets of Prudential's Polish Business were seized by the Nazi occupying authorities, following the invasion of Poland in 1939.

Austrian General Settlement Fund

The Austrian National Fund for Victims of National Socialism ("National Fund") was established by the Austrian parliament in 1995 to make amends to persons persecuted by the Nazis in Austria. The Washington Agreement[20] of 2001, called for the creation of a compensation scheme that acknowledged Austria's moral responsibility for the property losses that the victims of the Nazi regime suffered, including insurance policies, and as a result the General Settlement Fund (GSF), which the National Fund oversees, was established.

The Austrian federal law creating the GSF went into effect on May 28, 2001. The GSF was endowed with $210 million. The Austrian Insurance Association and its member companies passed a unanimous resolution in April 2001 to contribute $25 million to the GSF to cover compensation payments for insurance policies. Individuals who were persecuted by the Nazi regime or who left Austria to escape such persecution were eligible to file a claim with the GSF. However, the loss of the asset for which compensation was sought had to occur on the territory of the present-day Republic of Austria. Therefore, individuals who purchased insurance policies from Austrian companies but who on March 15, 1938 were resident outside the boundaries outside of the present-day Republic of Austria (i.e. – a resident of Prague who held a policy from Der Anker Vienna) could not seek compensation for the "Austrian" insurance policy from the GSF. These policies remain uncompensated by current restitution programs.

For the valuation of insurance policies the GSF applies, *mutatis mutandis*[21], ICHEIC's valuation guidelines. Insurance claims are subject to the same pro rata reduction guidelines as with other assets. The overall allocation allows for payments equal to 20.74% for any insurance[22]. Based on the awards reviewed it is unclear how the GSF values insurance policies.

[20] The Governments of the Republic of Austria and the United States of America, Austrian companies, The Conference on Jewish Material Claims (including the Central Committee of Jews from Austria in Israel and the American Council for Equal Compensation of Nazi victims from Austria), The Austrian Jewish Community, entered into a joint Holocaust restitution settlement agreement on January 17, 2001.

[21] "With the necessary changes in points of detail, meaning that matters or things are generally the same, but to be altered when necessary, as to names, offices, and the like. Housman v. Waterhouse, 191 App.Div. 850, 182 N.Y.S. 249, 251." ("Mutatis Mutandis." Black's Law Dictionary With Pronunciations. 6th ed. 1990. 1019).

[22] When an individual has already received an advance payment, their final payment will equal 5.73% for any insurance policies.

Claims Submitted Directly to Companies after ICHEIC

Prior to the establishment of ICHEIC, claims for unpaid life insurance policies were submitted directly to the issuing insurance company or its present-day successor. At ICHEIC's final meeting in March 2007, all ICHEIC member companies as well as over 70 companies in the German Insurance Association (*Gesamtverband der Deutschen Versicherungswirtschaft* - GDV), through its partnership agreement with ICHEIC, reiterated their commitment to continue to review and process claims sent directly to them in accordance with ICHEIC's relaxed standards of proof.

Moreover, in a letter dated April 23, 2008, the GDV informed the U.S. Department of State that their member companies would not only continue to address claims that specifically mention a company but would also consider inquiries that do not list a particular company. In September 2008 the GDV resumed providing market-wide research and acting as a central coordination point for all insurance inquiries as they did under ICHEIC. The GDV member companies have also decided to report their processing results to the GDV on a regular basis. To promote transparency the GDV publishes these results on its website.[23]

Generali Class Action Settlement

Three class action suits were brought in the United States District Court Southern District of New York (the "Court") against Assicurazioni Generali S.p.A.[24] ("Generali") alleging that: (a) Generali withheld the value and/or proceeds of insurance policies sold to Holocaust victims prior to and during the Holocaust era; and (b) after the Holocaust, Generali refused to pay on the policies, did not disclose the nature and scope of its unpaid policies, and refused to identify or disgorge the value or proceeds of such policies.

After more than nine years of litigation, the lawsuits were dismissed with prejudice by the Court on October 14, 2004, principally on the ground that the claims were preempted by a Federal Executive Branch policy favoring voluntary resolution of Holocaust-era claims through ICHEIC rather than through litigation. Plaintiffs appealed the Court's decision to the United States Court of Appeals for the Second Circuit ("Second Circuit"). While that appeal was pending, the parties entered into the Settlement Agreement on August 25, 2006 which was finalized and approved by the Court on February 27, 2007.

On October 2, 2007, the Second Circuit in New York vacated a prior order of the Court approving the Settlement Agreement and remanded the matter so that appropriate individual notice of the proposed settlement could be given to class members. Another fairness hearing was held on January 7, 2008 at which time the Court issued an order re-approving the settlement agreement. In June 2008 the Second Circuit affirmed the Court's approval of the settlement, and denied a motion for rehearing.

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[23] https://secure.gdv.de/entschaedigung/

[24] *In re: Assicurazioni Generali S.p.A. Holocaust Insurance Litigation* Docket No. 05-5602, et al. filed in the United States District Court for the Southern District of New York.

On August 1, 2008, the Second Circuit requested clarification from the Executive Branch on whether court adjudication of these Holocaust-era claims against Generali would conflict with the foreign policy of the United States. In response the DOJ submitted a brief to the Second Circuit noting that "[i]t has been and continues to be the foreign policy of the United States that the International Commission on Holocaust Era Insurance Claims (ICHEIC) should be regarded as the exclusive forum and remedy for claims within its purview. The fact that ICHEIC has now concluded its operations does not alter the foreign policy of the United States."[25]

Plaintiffs-appellants filed a petition for *writ of certiorari* with the Supreme Court of the United States asking the Court to review the decision of the United States Court of Appeal for the Second Circuit. On February 23, 2009 the petition was denied.

On July 29, 2009, the Second Circuit inquired whether the current administration adheres to the position expressed by the DOJ's letter brief of October 30, 2008. The DOJ submitted a supplemental letter brief in response on October 18, 2009. The supplemental brief affirms the position originally articulated in 2008. In addition, the brief quotes Amabassador Eizenstat's statement from the *Opening Plenary Session Remarks at the Prague Holocaust Era Assets Conference*[26] which recommends that individuals who believe they are entitled to the proceeds of an unpaid Holocaust-era insurance policy apply to that company or the HCPO.

In response, on December 18, 2009, an *Amici Curiae* brief was filed on behalf of professors of constitutional law and foreign relations law of the United States in support of plaintiffs-appellants and a letter brief was submitted by plaintiffs-appellants' attorney. The brief argues in support of plaintiffs-appellants seeking the reversal of a 2004 District Court decision preventing suits against the large Italian insurer accused of failing to honor Holocaust-era policies. The plaintiffs-appellants' letter brief adds that any "voluntary" mechanism described by DOJ "is facially unacceptable as a legally exclusive, binding alternative to survivors' and heirs' state law rights. Whatever the process will entail, it does nothing more than create a new ICHEIC-style mechanism...."

More than three years after the appeal was filed, on January 15, 2010, the US Court of Appeals for the Second Circuit affirmed the judgment of the lower court.

The deadline for submitting a claim to Generali's Policy Information Center ("PIC") in Trieste, Italy was December 31, 2007; however, the deadline for submitted claims based on documents obtained from ITS was extended to August 31, 2008. The valuation formula implemented under the Settlement Agreement uses the Consumer Price Index to determine the interest rates to be applied to the policies to reach present-day values.

ICHEIC used the US Treasury long bond rate to reach the 1999 base value for policies. However, because the long bond rate was set quite low during the early part of the 1990s, ICHEIC decided to fix the annual interest rates at 5% per year after 2003,

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[25] Letter Brief, *In re: Assicurazioni Generali S.p.A. Holocaust Insurance Litigation*, 2008 U.S. Dist. LEXIS 744 (S.D.N.Y. Jan. 7, 2008) (Nos. 05-5602, et al.).
[26] http://www.state.gov/p/eur/rls/rm/2009/126158.htm

regardless of the corresponding long bond rate. The change in the Consumer Price Index during the comparable period has been far lower than 5% (roughly around 1%), as the Federal Reserve has consistently cut rates to combat potential inflation. Therefore, offers made outside the settlement are nearly one-quarter less than a comparable ICHEIC offer.

It should be noted that Generali submitted a letter dated February 4, 2008, to the U.S. House of Representatives Committee on Financial Services, in which they indicated that they would continue to process claims submitted to them even after the Settlement filing deadline had lapsed. For those claims submitted after the Settlement filing deadline, Generali noted that ICHEIC valuation guidelines and relaxed standards of proof would be applied.

HCPO Insurance Claims: Analysis and Comparison to 1936 European Insurance Market

New York State Investigation into Unpaid Holocaust Era Insurance Policies

New York State has led the nation in its efforts to ensure a just resolution of unresolved claims for assets lost between 1933 and 1945 as a result of Nazi persecution. In early 1997, following the publicity surrounding the restitution of Holocaust era assets from Swiss banks, Governor George E. Pataki and New York State Superintendent of Insurance Neil D. Levin began to investigate the issue of unpaid insurance policies issued to Holocaust victims.

In September 1997, Governor Pataki opened the New York State Holocaust Claims Processing Office ("HCPO") to assist Holocaust survivors and their heirs to recover assets lost, stolen, or looted during the Holocaust. The HCPO was created to be an advocate for claimants by helping alleviate any cost and bureaucratic hardships they might encounter in trying to pursue their claims on their own, as well as to bring leverage to negotiations with the banks and insurance companies through the aggregation of claims.

New York State Passes Legislation on Holocaust Era Insurance Policies

The New York State Legislature (Legislature) also became deeply concerned about allegations that certain insurers doing business in New York, either directly or through affiliates, failed to honor their commitments under insurance policies issued during the World War II era. Although such policies were issued outside of New York, New York is home to one of the largest Holocaust survivor populations. The Legislature determined that this state has a clear and substantial interest in ensuring that justice is effected for New York citizens.

As a result, the Legislature passed Governor Pataki's Program Legislation, which became law on July 8, 1998. Chapter 259 of the Laws of 1998 added Article 27, the "Holocaust Victims Insurance Act of 1998," to the New York Insurance Law (the Act). The Act provides insurance claims assistance to Holocaust victims (defined as "any person, claimant, or the estate, heir, legatee, descendent, survivor, beneficiary, or other such successor-in-interest of such person") who lost their lives or property as a result of discriminatory laws, policies or actions during the period between January 1, 1929, and December 31, 1945, in areas of Europe under Nazi influence.

In addition, this legislation requires New York State insurers that are affiliated with insurers that did business in areas under Nazi influence during the Holocaust era to file annual reports and to resolve all unpaid insurance policies issued to Holocaust victims. Most importantly, the legislation encourages such insurers to participate in the International Commission on Holocaust Era Insurance Claims ("ICHEIC") in order to reach a just and expeditious resolution of this issue.

New York State Involvement in the Creation of ICHEIC

During this same period, the issue of unpaid insurance policies of Holocaust victims began to draw the attention of the National Association of Insurance Commissioners ("NAIC"). In September of 1997, the NAIC established a Holocaust Insurance Issues Working Group to examine this issue and to make a recommendation as to the appropriate role of the NAIC and state insurance departments in helping Holocaust victims, survivors and their heirs resolve claims arising out of insurance policies issued during the Holocaust era. The NAIC Working Group grew to include regulators from 27 states. It conducted 6 hearings in 1997 and early 1998 throughout the country. The Working Group also looked at the progress of several state insurance departments, including New York.

In April 1998, Superintendent Levin, working closely with the NAIC, the commissioner of California, four European insurance companies (Allianz, AXA-UAP, Zurich and Generali), as well as the World Jewish Restitution Organization, the World Jewish Congress and the Conference of Jewish Material Claims Against Germany, gathered in the offices of the New York State Insurance Department and entered into a Memorandum of Intent that set out six criteria for the resolution of these unpaid insurance claims.

Immediately following this historic event, the NAIC established the International Holocaust Commission Task Force (Task Force) to succeed the NAIC Working Group. The goal of the Task Force was to work with European insurance regulators, European insurers and Holocaust survivors to establish the international commission which was contemplated in the Memorandum of Intent to facilitate claims payments to Holocaust victims, survivors and their heirs.

These negotiations resulted in the execution of a Memorandum of Understanding on August 13, 1998 by Zurich and the members of the Task Force. This was followed shortly by execution of the Memorandum of Understanding by Allianz, AXA-UAP, Winterthur and Generali. The Memorandum of Understanding was also signed by the World Jewish Restitution Organization, the Conference of Jewish Material Claims against Germany and 49 insurance commissioners of the United States.

New York State Participates at Washington Conference

On November 30-December 3, 1998, the U.S. Department of State and the U.S. Holocaust Memorial Museum co-hosted the Washington Conference on Holocaust-Era Assets. Delegations from forty-four governments and thirteen non-governmental organizations participated. The conference addressed various issues related to the confiscation of assets by the Nazis and others during the Holocaust. The principal issues of the conference were looted art, insurance claims, communal property, and archives and books.

Superintendent Levin, as Vice Chair of the NAIC's International Holocaust Commission Task Force, spoke at the Plenary Session provided information on newly established ICHEIC and its goals and preliminary outreach efforts. In a breakout session led by Prof. Gerald D. Feldman, noted economist, Catherine A. Lillie, former director of the HCPO, had the opportunity to present the work of the HCPO to conference participants. With nearly a year's worth of experience working with Holocaust survivors and their heirs on resolving claims for unpaid insurance policies, Ms. Lillie was able to provide insight into the workings of the present-day system of restitution.

How the HCPO Works to Resolve Claims for Unpaid Insurance Policies

Not much has changed from the establishment of the HCPO in 1997 to today with respect to how claims are processed; the only variable which fluctuates is the entity with whom the claim is lodged. Initially, claims were submitted directly to insurance companies. Then with the creation of ICHEIC and other compensation organizations such as the Austrian General Settlement Fund ("GSF"), and the Holocaust Foundation for Individual Insurance Claims ("Sjoa Foundaton"), claims were filed with these agencies, though continuously monitored by the HCPO. With the closing of ICHEIC in March 2007 and the final deadline of the GSF having lapsed in November 2003, the HCPO once again submits claims directly to insurance companies where processes no longer exist.

Individual claims are assigned to members of the HCPO's highly trained staff, which is comprised of archivists, economists, historians, lawyers, linquists and political scientists, who work with claimants to collect the most detailed and accurate information possible. Claimants often seek the recovery of a variety of assets; therefore, the HCPO is often involved with different facets of the same claim.

The HCPO accepts claims and provides assistance in the preparation of the claim forms. Information provided on the claim forms is used as a starting point for research. Using unique investigative skills and research expertise staff members corroborate information provided by claimants with research in archives, libraries, and other resources while maintaining claimant confidentiality. The documentation that the HCPO secures on behalf of claimants has proven instrumental in substantiating their claims. Moreover, claim information is entered into a computer database and compared with published lists of potential insurance policyholders, Nazi confiscation lists, and other resources in an effort to locate the missing assets.

The HCPO works with multiple claims processes so staff members are exceedingly familiar with the various claim forms and submission and processing guidelines. The HCPO submits claims and documentation to the appropriate companies or authorities with the request that a complete and thorough search and evaluation be made with respect to the specified asset(s). Once an agency has completed its review of a claim and reached a determination, the HCPO reviews the decision to ensure that it adheres to the published processing and valuation guidelines.

The knowledge and expertise of the HCPO staff has alleviated burdens and costs often incurred when individuals pursue claims on their own. Our successes are a direct result of the importance attached to and attention paid by the HCPO to individualized analysis.

HCPO General Statistics Regarding All Insurance Claims

Overall, the HCPO has handled in excess of 13,000 inquiries. Of these, nearly half have been insurance related inquiries from 35 countries and 48 states and the District of Columbia. These inquiries have generated over 2,300 claims from 24 countries and 43 states and the District of Columbia. The majority of insurance claims have come from the United States, Canada, the United Kingdom, Israel and Australia; the majority of domestic claims are not surprisingly from New York, California, Illinois, Florida, New Jersey, Texas, Maryland and Pennsylvania.

While there are over 2,300 claimants, this actually means that we have claims naming more than 3,400 potential insurance policyholders and an excess of 5,300 policies. This is because in many instances, the claimant could be the sole survivor of a sizable family and therefore submitted applications naming several relatives as the insured individual, including their parent, grandparents, aunt, uncles, siblings, and cousins. In addition, individuals may have had multiple policies. Many of the HCPO's cases refer to more than one policy.

Claims filed with the HCPO reference a large number of companies. The most frequently cited companies remain Generali, Phönix, RAS, Victoria, Allianz, Anker, Basler and Donau. But claimants have also identified Barmenia, Fonciere, Gerling, Hermes, Isar, Lloyds, Merkur, Nordstern, ÖVAG, Swiss Life, Star and Vita, to name but a few. With as much information in-hand as possible regarding the claimants' insurance policies, the HCPO must still determine where to file the claim. In order to submit a claim to the appropriate company or claims process, it is necessary to first determine what present-day company or claims process is responsible for the policy in question. For claims for policies issue by companies still in existence, find the appropriate successor is relatively straightforward. But for others, determining the successor is more complex.

Researching successor companies is complicated by the following facts: policies written in contested geographical areas were transferred to a variety of companies and different portfolios within these companies; the prewar Nazi consolidation of the insurance industry and the postwar reconstruction; and in some instances nationalization of the insurance industry led to further changes in corporate structures. Moreover, the ravages of war and passage of time have left many companies with little or no documentation regarding their prewar holdings of their subsidiary companies.

Published industry handbooks and government statistical bulletins from the relevant time period help the HCPO determine where companies did business and provide some information regarding the aggregate statistics of the prewar insurance market as well as the market share of individual companies.

Claims range from the purely anecdotal, through the detailed that are merely lacking the original paperwork, to the partially or even fully documented cases. For the most part the HCPO deals with life, dowry, and education policies.

The HCPO's Central and Eastern European Claims

Documented and Undocumented Claims

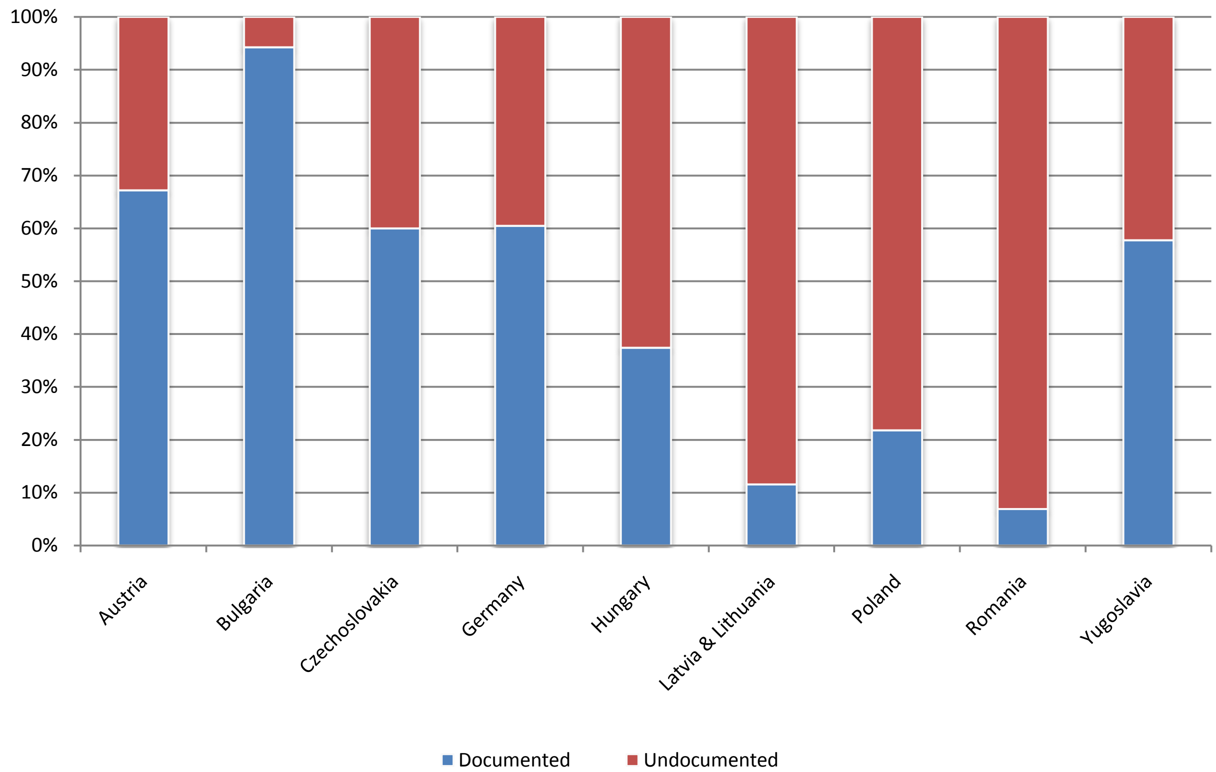

Figure 1

At the time of writing, the HCPO had received claims for a total of 5,313 insurance policies; of these, 2885 were documented according to ICHEIC's relaxed standards of proof and 2,428 were undocumented.

In the normal course of events, an insurance company would require an actual policy and proof of premium payments in order to pay out on a claim. However, recognizing the unique history of Holocaust-era insurance policies, claimants were able to provide a much wider range of documents proving the existence of an unpaid insurance policy under ICHEIC's relaxed standards of proof. Such documents could range from actual insurance policies to premium payment receipts to mandatory pre-war asset declarations that were part of anti-Semitic legislation in various countries. Correspondence with insurance companies (on company letterhead) or with banks which sometimes mentioned insurance policies held in safe deposit boxes were also considered to be documents showing the existence of a policy. Birth certificates, marriage certificates, death certificates and personal statements by the claimants were not considered to be sufficient proof of the existence of a policy, although they were useful in establishing the claimant's identity and relationships to the insured and beneficiaries of an insurance policy

The HCPO had a rather high percentage of documented claims for insurance policies, partly because many claimants approached the office prior to the creation of ICHEIC with documents in hand. Moreover, the HCPO carried out a substantial amount of research in often successful attempts to find documentation for claims that were purely anecdotal to begin with.

Surprisingly, the highest number of claims with documents were for policies issued in Bulgaria and Yugoslavia, but this was mostly a statistical artifact of the small number of claims for policies issued in these countries, and the fact that only a few claimants filed for multiple policies issued to their family members which happened to be documented. On a larger scale, the majority of claims for policies issued in Germany, Austria and Czechoslovakia were documented. Of all HCPO claims for German policies, 60.5% were documented, while 67% of claims for Austrian policies and 60% of claims for policies issued in Czechoslovakia were documented. The high degree of documentation in these cases is a result of the long-drawn out process of spoliation discussed in section 6 above; in Germany, Austria and Czechoslovakia, the Nazis had several years in which register Jewish assets and create the mass of paperwork that would serve to provide proof of the existence of these policies almost 60 years later.

In contrast, the majority of the HCPO's claims for policies issued in Hungary were undocumented, as were the overwhelming majority of claims for policies issued in Poland the Baltic nations and Romania. The figures breakdown as follows: 62.5% of claims for Hungarian policies were undocumented; 78% of Polish claims were undocumented; 88% of Baltic claims were undocumented and 93% of claims for Romanian policies were undocumented.

In the case of Hungary, this is partially because the country was not occupied by the Germans until 1944. Thus, the meticulous and centralized documentation of spoliation which was a feature of Nazi rule in Germany proper and the annexed territories of Austria and the Protectorate of Bohemia and Moravia did not exist in Hungary. Moreover, in contrast to neighboring Slovakia, the Hungarians did not institute any requirements that Jews had to report their assets to a central authority; spoliation in Hungary was – at least until the German occupation – a more ad hoc affair dependent on the whims of the local Hungarian gendarmerie. Similar conditions prevailed in Romania as well.

The lack of documentation for Polish claims has manifold causes. First of all, the Polish market was, as we have seen, miniscule compared to those of its western neighbors. Only a very small percentage of the pre-war Polish population had life insurance policies to begin with. Secondly, portions of Poland were occupied by the Soviets in 1939, before being invaded by the Germans in 1941. The Soviets had already nationalized or confiscated many assets before the Germans arrived. Thirdly, a far smaller percentage of the pre-war Jewish population of Poland survived the Holocaust than almost any other country, and correspondingly fewer family papers, documents and valuables survived intact than was the case in other countries. Lastly, Poland was the scene of many ferocious and destructive battles during the latter half of the war; cities like Warsaw and Breslau (Wroclaw) were virtually razed to the ground, destroying public and private archives.

Lack of documentation was a feature of claims for policies issued in the Baltic states as well, and for many of the same reasons noted above for Poland.

However, lack of documentation did not preclude filing a claim either with the HCPO or with ICHEIC. Two examples below serve to illustrate how painstaking research could help provide the necessary proof to turn an undocumented claim into a documented one.

Mrs. C.S. – Anecdotal Claim – ICHEIC Research Match

Mrs. C.S., a Holocaust survivor, who was born in the Czechoslovakia, filed a claim with our office in September 1998 for the life insurance policies of her father Mr. H.S. Mr. H.S. was a successful clothing manufacturer and retailer in Czechoslovakia. In 1939, when the Nazis occupied Czechoslovakia, Mr. H.S. fled with his family to the United States where Mr. H.S. died in 1953. Because the family made a narrow escape from the Nazis, they were unable to gather any financial documents before fleeing their home. Therefore, when Mrs. C.S. made a claim for her father's insurance policies, she lacked any supporting documentation or indeed any specific information about which companies, how many policies, etc. her father may have taken out. The HCPO forwarded Mrs. C.S.'s anecdotal claim to ICHEIC.

Through research in Czech national archives, ICHEIC found a list of assets deposited on behalf Mr. H.S. with the Boehmische Union-Bank. Among other assets listed, ICHEIC found reference to a Phoenix policy. The archival record did not provide complete terms of the policy, but the record did indicate that the policy was taken out for 30,000 KCS and had a maturity date of 1945. As the policy was purchased in Czechoslovakia and because there is no successor to the defunct Phoenix insurance company, ICHEIC forwarded the claim to its 8A2 process, which assessed claims for policies issued by Eastern European companies that were nationalized or liquidated after World War II and have no present-day successors. In August, 2006 ICHEIC made an offer to Mrs. C.S. in the amount of $10,818.61.

Mr. P.L. – Anecdotal Claim – HCPO Research

Mr. P.L., a Holocaust survivor born in Czechoslovakia, filed a claim with our office in February 1999 for the life insurance policies of his father, Mr. R.L., the owner of a metal works factory who was arrested by the Nazis following their occupation of Czechoslovakia in 1939. Mr. R.L. was deported to Mauthausen concentration camp where he perished in 1940. Mr. P.L. was able to flee Czechoslovakia and made his way to Australia. Mr. P.L. had no documentation concerning his family's looted assets, but believed that his father had taken out insurance with a Swiss insurance company. The HCPO forwarded Mr. P.L.'s anecdotal insurance application to ICHEIC.

In November, 2003 the HCPO wrote to various insurance companies and to the relevant archives in Brno requesting information about Mr. P.L.'s family. The archive produced extensive records which showed, among other looted family assets, a life insurance policy with the now-defunct Phoenix insurance company. While the archival documents did not contain terms of the policy (e.g., dates, duration), they did indicate the sum insured was 220,000 KCS.

The HCPO forwarded this information to ICHEIC. Because there is no present-day successor to the Czech Phoenix insurance company, ICHEIC made an award to Mr. P. L. from its 8A2 Humanitarian Fund, which was set up to pay policies issued Eastern European companies that were nationalized or liquidated after World War II and have no present-day successors. Unfortunately, Mr. P.L. passed away in 2004, but compensation for her father's insurance policy was made to Mr. P. L.'s daughter, Mrs. T.P. In July of 2006, ICHEIC offered Mrs. T/P. $79,016.59 for the Phoenix policy of her grandfather, Mr. R. L.

Disposition of Documented Claims

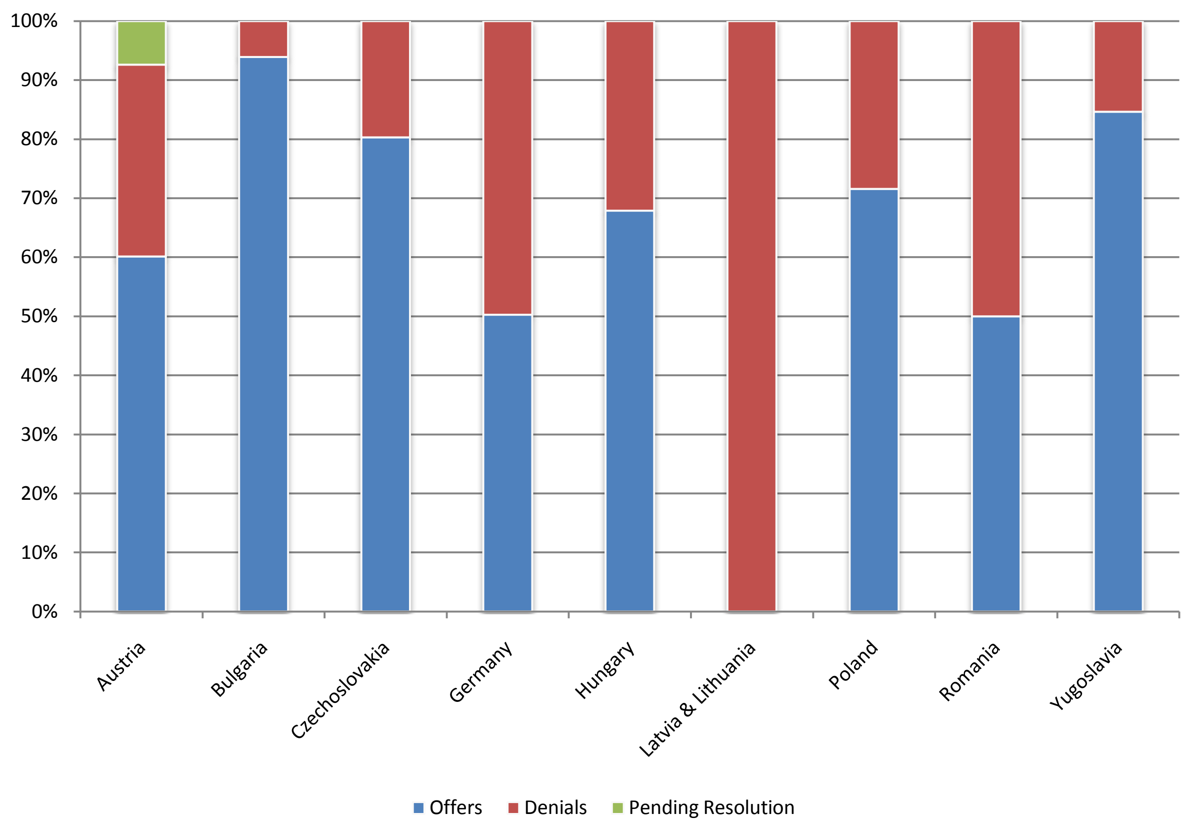

Figure 2

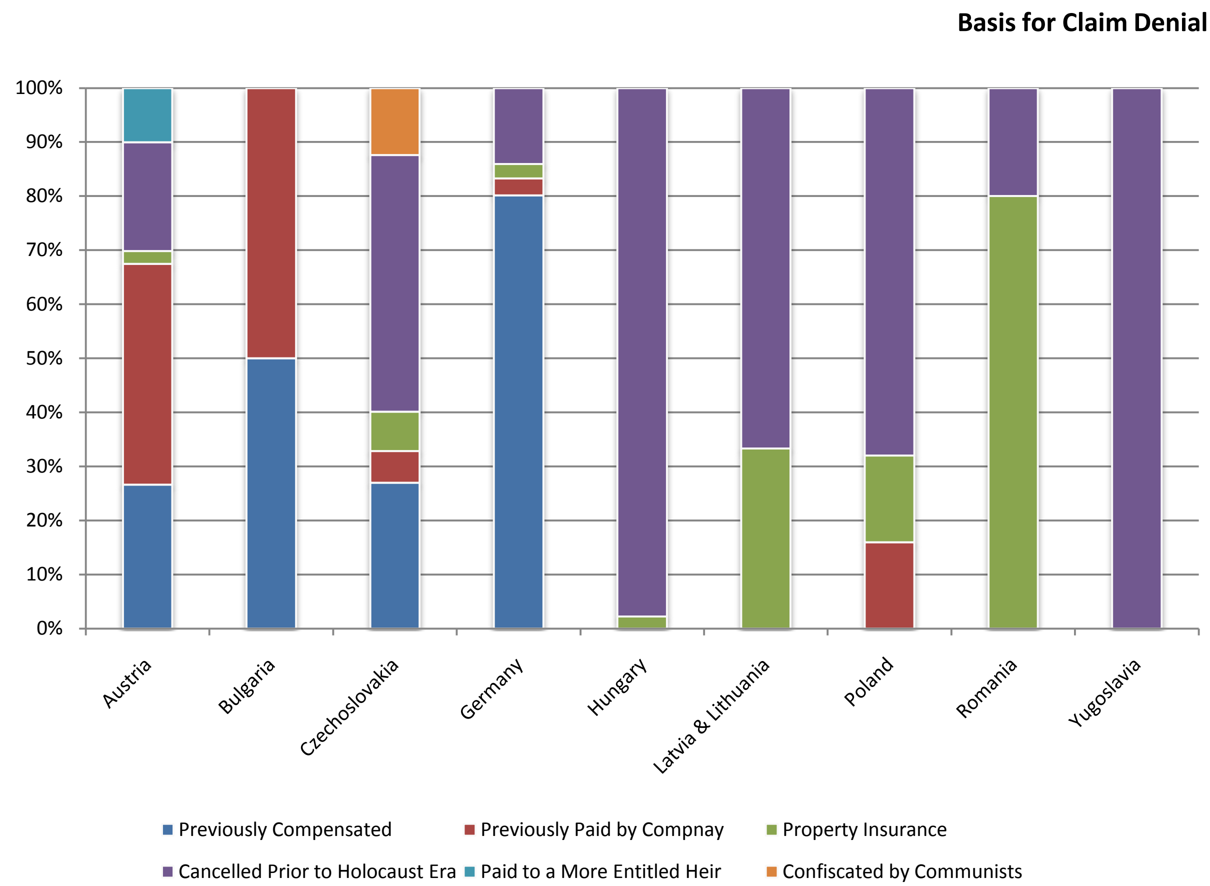

Figure 3

Germany

The HCPO had 973 documented claims for German policies. Of these claims, 50.3% received offers, while 49.7% received denials. Eighty-percent of the denials on German policies were because they had previously been compensated under the extensive German compensation programs of the 1950s and 1960s, as discussed in Section 7.

Documented HCPO German Claims by Company

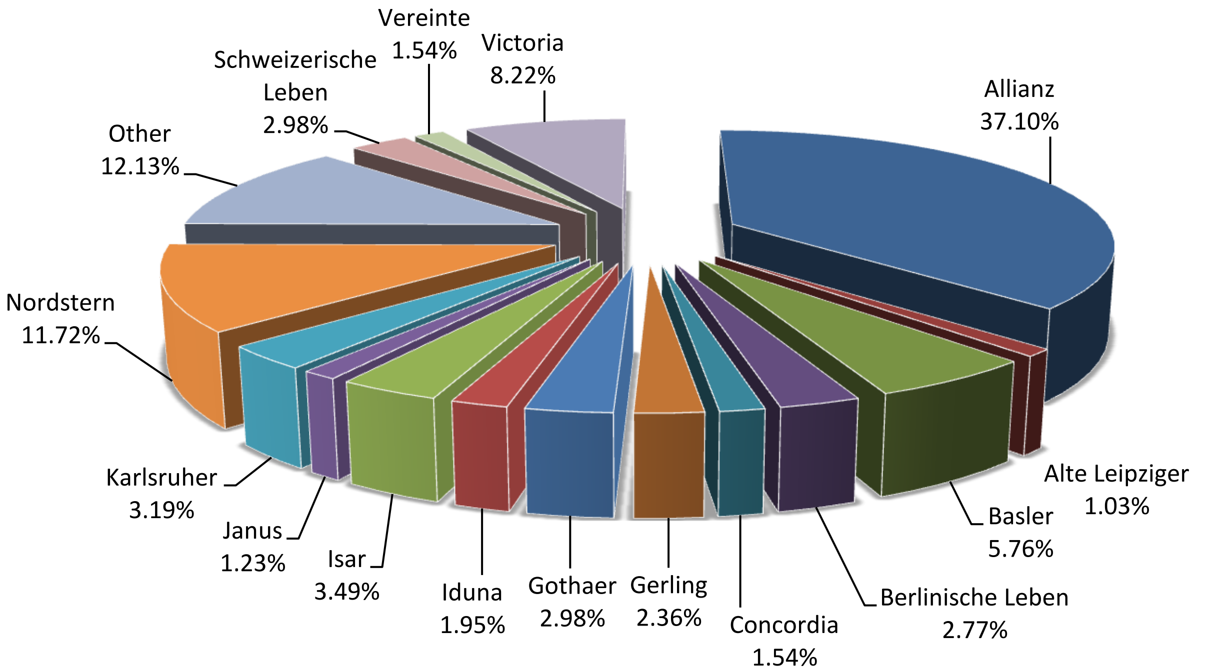

Figure 4 – The "Other" category is comprised of 45 different insurance companies, individually representing 0-1% of HCPO German claims.

Sources of Offers for HCPO German Insurance Claims

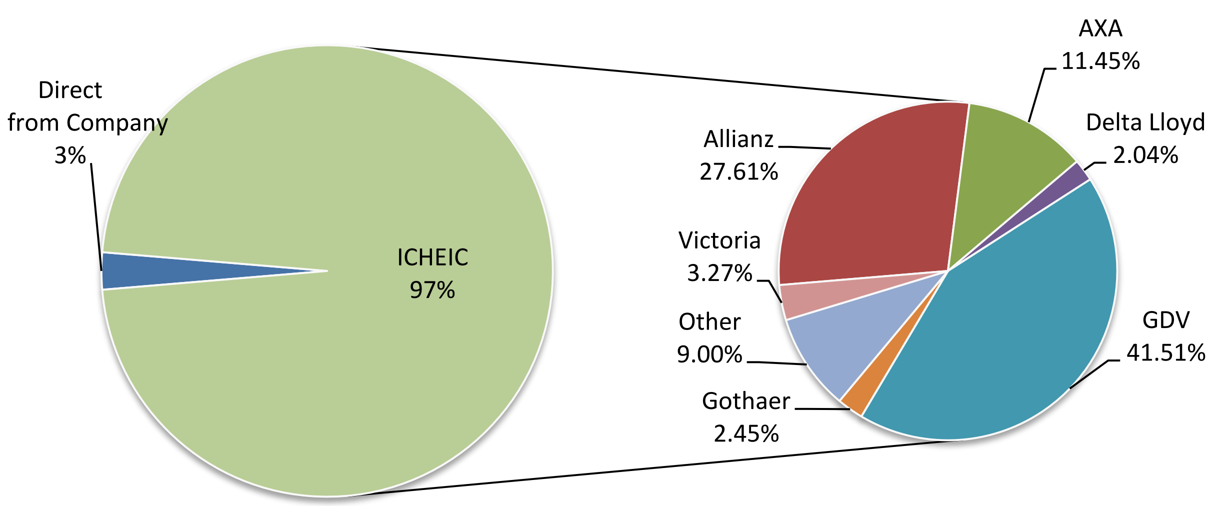

Figure 5

Ninety-seven percent of the offers on German policies came through the ICHEIC process; within this process, 42% were from the Association of German Insurers (*Gesamtdeutsche Versicherungsverband* or GDV) and 28% were from Allianz. According to the agreement between ICHEIC and the GDV, the GDV made payments from a humanitarian fund policies for which only account cards (i.e. applications showing the intent to purchase an insurance policy but not showing whether such a policy was actually purchased) and on policies that had been paid into blocked accounts during the Nazi period. In the latter case, the policyholder or appropriate beneficiary had not received the proceeds of the liquidation of the insurance policy. Neither of these types of claims had been payable under the BEG, since the account cards did not show the clear existence of the policy, and because blocked accounts were compensable under other parts of the BEG law. Moreover, as the GDV transferred the remaining monies in the humanitarian fund to the Conference on Jewish Material Claims Against Germany, such claims are no longer payable today.

Austria

The HCPO received 625 documented claims for insurance policies issued in Austria. Of these, at the time of writing, 550 had received offers from various entities. Of the 75 denials, the majority were either because of prior compensation or because there was a closer relative to the insured person than the claimant or because the policy had lapsed prior to 1938, the beginning of the Holocaust era in Austria, so it was not considered to have been repurchased under duress because of Nazi persecution.

Documented Austrian Claims by Company

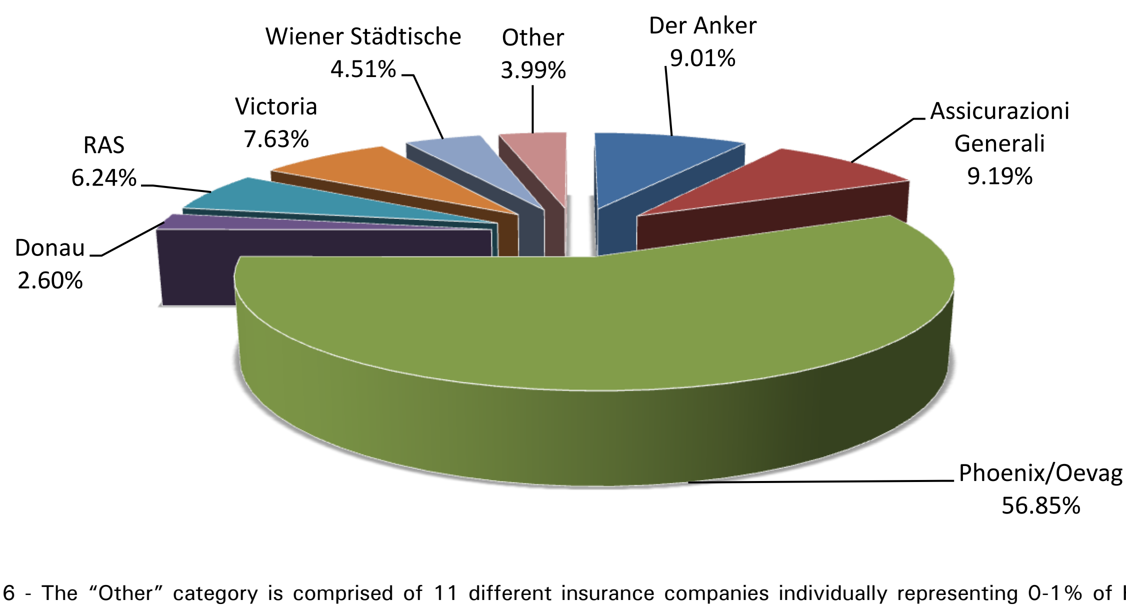

Figure 6 - The "Other" category is comprised of 11 different insurance companies individually representing 0-1% of HCPO Austrian claims.

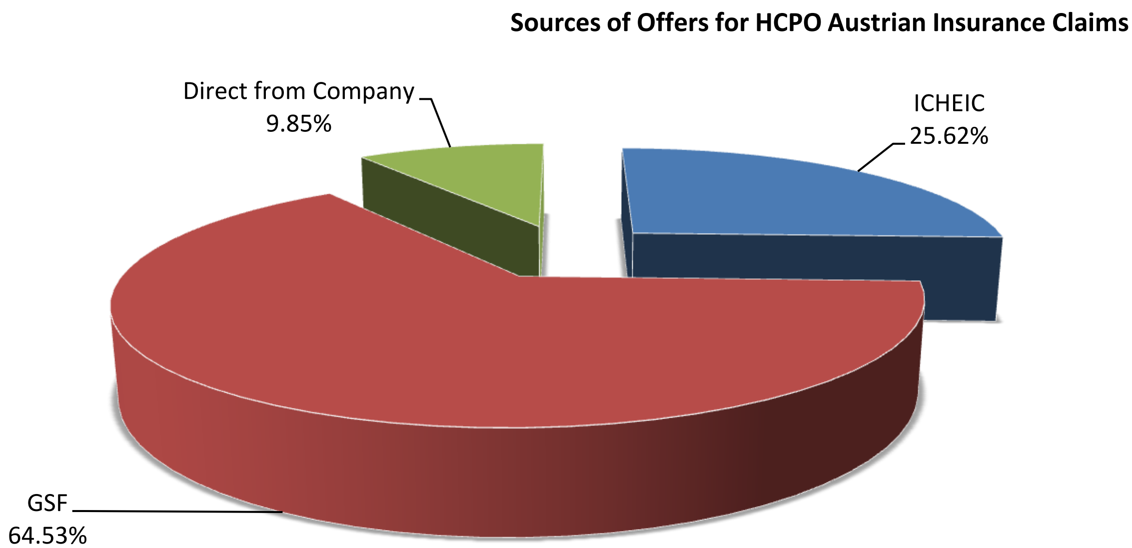

Figure 7

The Austrian General Settlement Fund accounted for 64% of the offers on policies issued in Austria; this is not surprising given the high number of Phoenix/ÖVAG policies claimed for, all of which came under the aegis of the GSF. Nineteen percent of the claims for Austrian policies received offers through the ICHEIC process; of these, 26% were for policies issued by the Austrian branch of Victoria, which had been sent to the GDV as per ICHEIC's agreement. The GSF nominally followed ICHEIC's valuation guidelines, stating that "for the valuation of insurance policies the Claims Committee applies mutatis mutandis, as required by §18 (2) of the Law on the General Settlement Fund, the rules of the International Commission on Holocaust Era Insurance Claims (ICHEIC)." However, in practice there were substantial differences in valuations of policies paid by the GSF and by ICHEIC. Moreover, the GSF's settlement conditions meant that the claimant received only 17% of the offer amount, rather than 100% as with ICHEIC.

Czechoslovakia

The HCPO received 686 documented claims for policies issued in the former Czechoslovakia; 80% of these claims eventually received offers. Half of the remaining 20% were denied because they had lapsed prior to 1939 (i.e. prior to the beginning of the Holocaust in Czechoslovakia). The remaining denials were because the policies had been compensated under the German LAG process or because they had been confiscated by the Communists after 1945, and so were not deemed to be Holocaust-era claims.

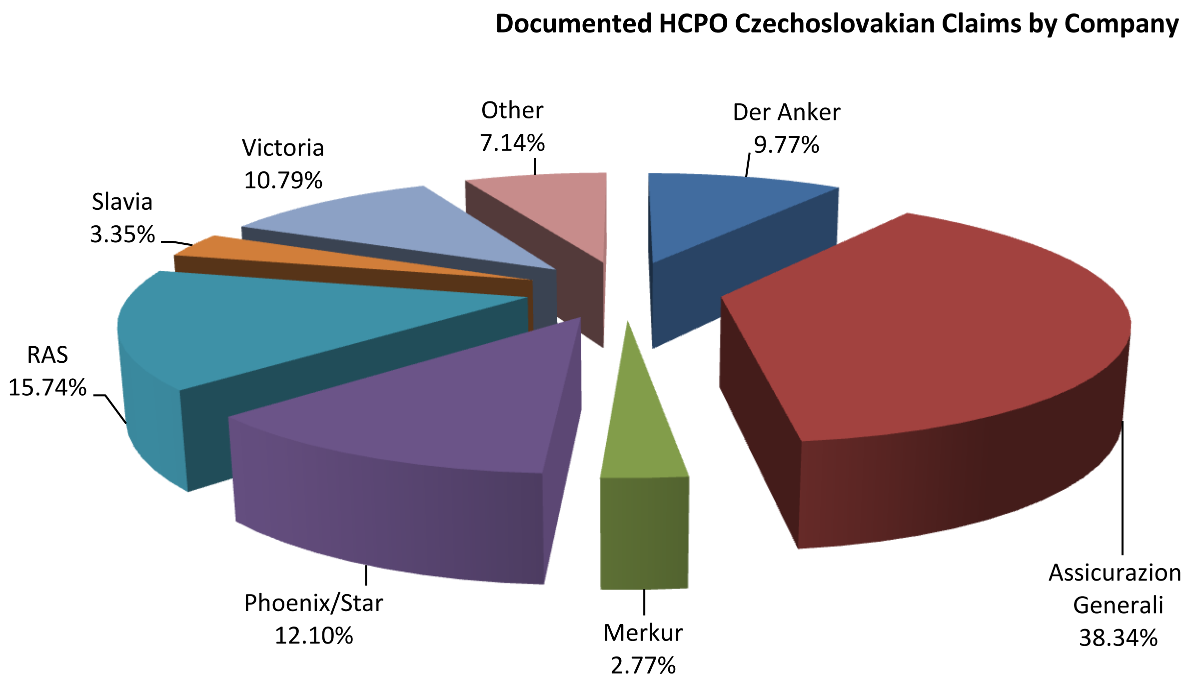

Figure 8 - The "Other" category is comprised of several different insurance companies individually representing 0-1% of HCPO Czechoslovakian claims.

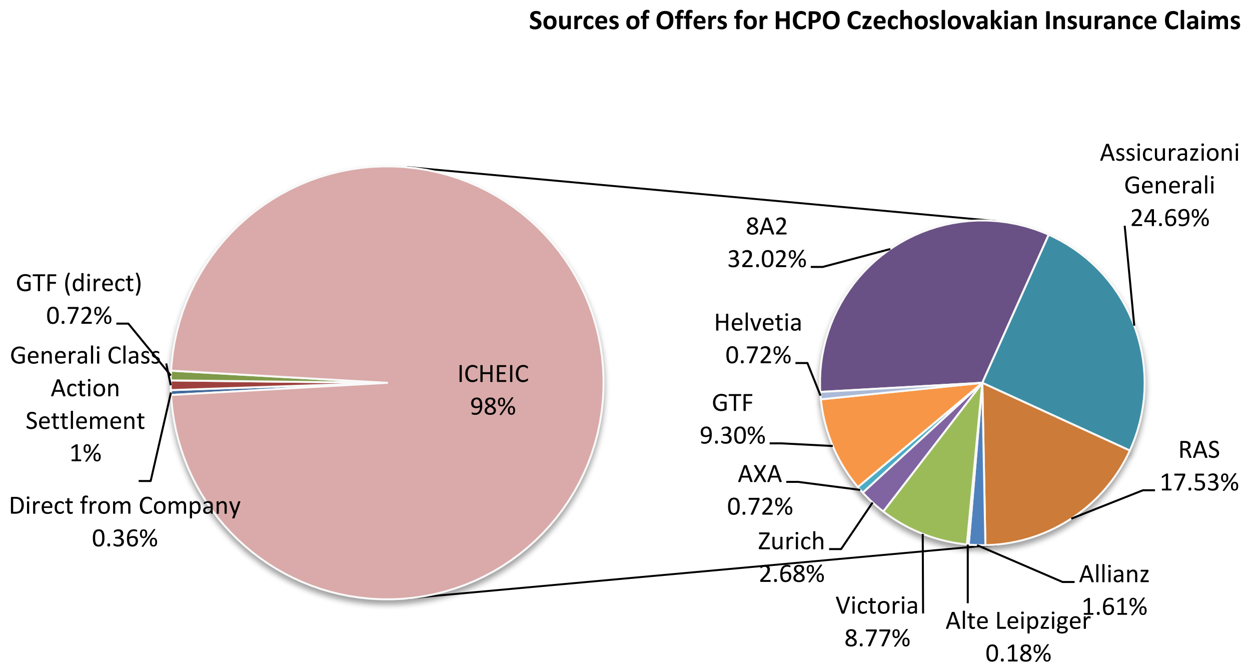

Figure 9

Ninety-eight percent of offers on policies issued in Czechoslovakia came through the ICHEIC process. ICHEIC and the HCPO carried out highly successful research in order to provide documentation for claims for policies issued in the former Czechoslovakia because of the long-drawn out process of spoliation and because many documents survived from the period in Czech and Slovak archives. Moreover, there was some postwar documentation of Czech policies as well, because people were able to file claims for their insurance policies until 1948, and as a first step, many had registered their missing policies between 1945-1948.

Ninety-nine percent of the offers on Czechoslovak policies came through the ICHEIC process; a further breakdown indicates that 45% came from Assicurazioni Generali, 20% through ICHEIC's humanitarian 8A2 fund and 16% from Riunione Adriatica di Sicurta. Generali and RAS presence in Czechoslovak market – 42%. The non-ICHEIC offers all came from Assicurazioni Generali through different funds, including the Generali Trust Fund in Israel, the Generali Litigation discussed in Section 7 and directly from the company.

Because many Czech, Hungarian and Polish companies had been nationalized in the late 1940s and did not have present-day successors, ICHEIC created a humanitarian fund to pay documented claims for policies issued by companies that no longer existed. The fund was informally known as the 8A2 fund because of the paragraph of the German Foundation agreement that created it. Without the 8A2 humanitarian fund, these policies would not have been compensated at any time, because the companies have no present-day successors, so it would be impossible to be paid directly by the company or to seek redress through litigation.

Poland

The HCPO received 176 documented claims for policies issued in Poland. Of these, 126 claims (or 72%) received offers from present-day compensation programs. Seventy-five percent of offers came through the ICHEIC process, while 24% came directly from one company, Prudential Plc of the UK, which was not a member of ICHEIC.

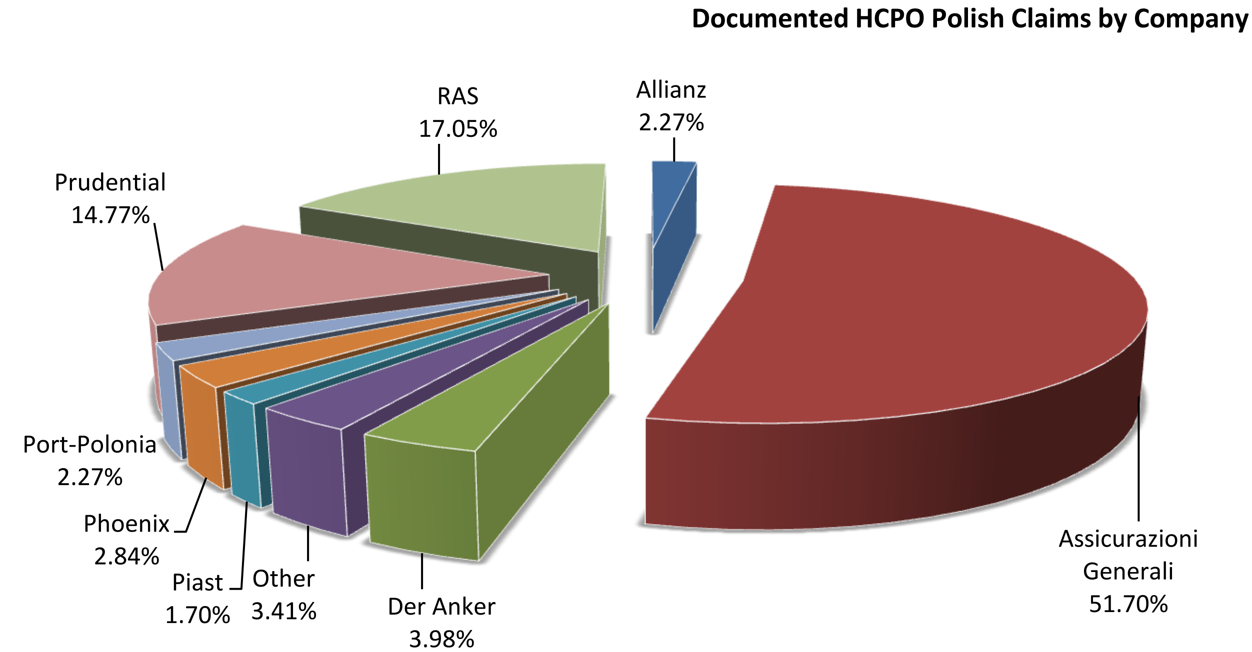

Figure 10 – The "Other" category is comprised of 4 different insurance companies individually representing 0-1% of HCPO Polish claims.

Prudential's predecessor Prudential Assurance had acquired a controlling interest in the now-defunct Polish Przezornosc company in 1927 and was able to draw on the records it held in London in order to pay out claims on those policies. Because of the relatively small number of policies for which Prudential is responsible (approximately 4,600), Prudential was able to proactively search for heirs to the policies that remain unsettled.

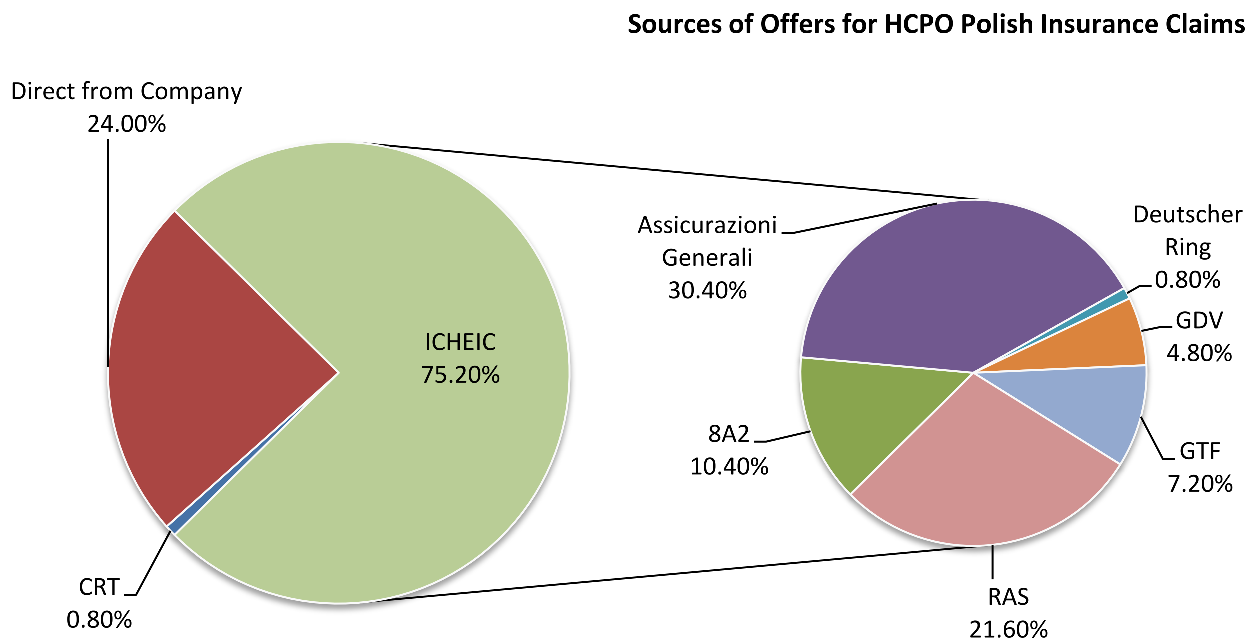

Figure 11

Of the offers made through the ICHEIC process on policies issued in Poland, half were paid by Generali, 22% by Riunione and 10% through the 8A2 program. A small number of policies issued in Poland were paid by German companies as well, given that certain portions of pre-war Poland were either part of Germany before 1937 or were directly annexed to the German Reich in 1939.

The Baltics

The HCPO did not receive any claims for policies issued in Estonia, but did receive a total of 26 claims for policies issued in Latvia and Lithuania. Of these, only three claims were documented, and all were denied because they had either lapsed prior to the Holocaust era or because they were for non-life policies.

Hungary

The HCPO received 137 documented claims for Hungarian policies, of which nearly 70% resulted in offers. Ninety-eight percent of the denials on documented Hungarian policies were because the policies had lapsed before the beginning of the Holocaust Era in Hungary.

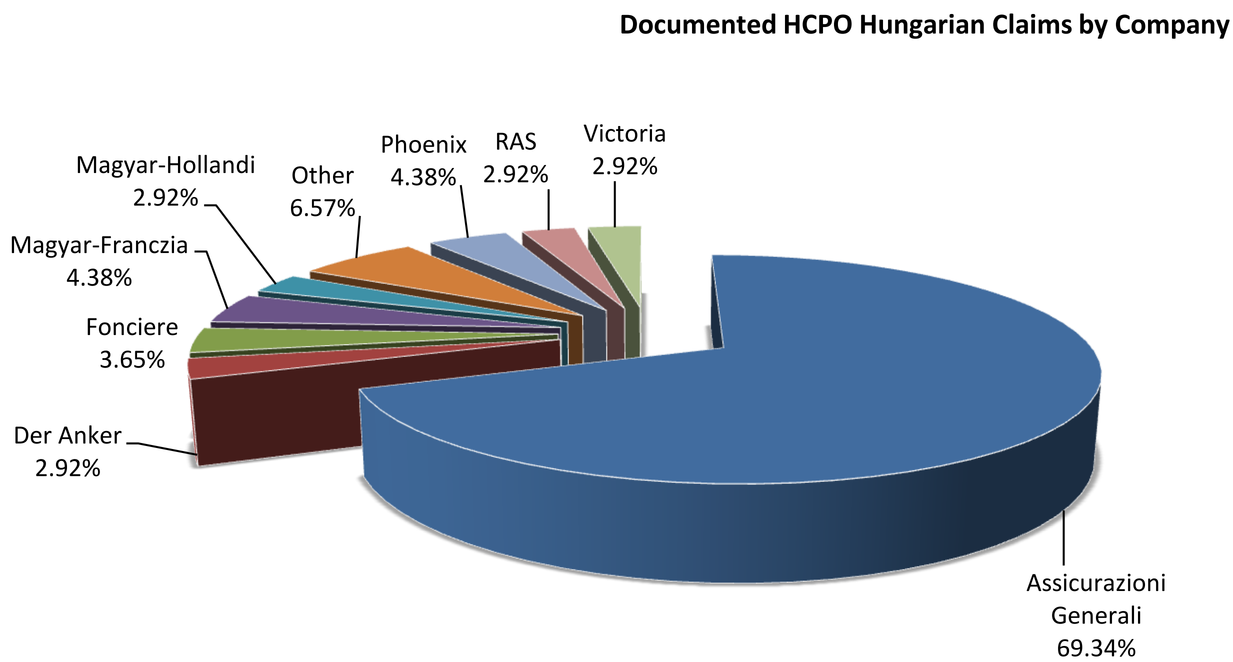

Figure 12 – The "Other" category is comprised of 6 different insurance companies individually representing 0-1% of HCPO claims.

Sources of Offers for HCPO Hungarian Insurance Claims

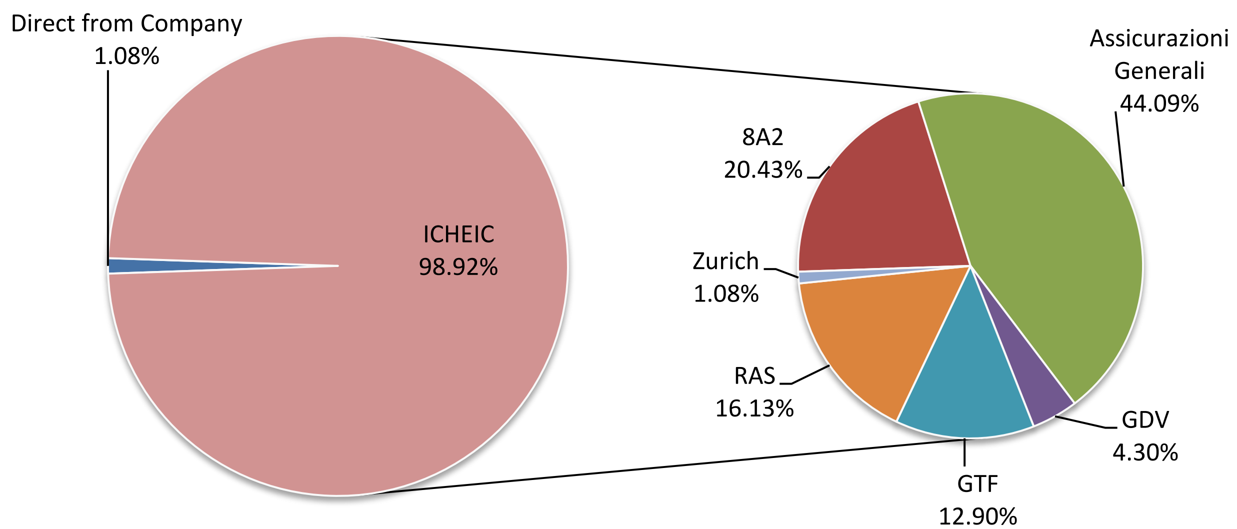

Figure 13

All but one offer on Hungarian policies came through the ICHEIC process; of these 45% were from Assicurazioni Generali; 20% were through 8A2 and 16% were from Riunione. The lone offer that came directly from a company was also from Assicurazioni Generali.

Romania

The HCPO received 10 documented claims for policies issued in Romania. Of these five received offers and five were denied. Four of the five denials were because the claims were filed for non-life policies, while one was denied because it had lapsed prior to the Holocaust Era in Romania. All five offers came through the ICHEIC process; three offers came from Riunione Adriatica, one from the GDV for a Victoria policy and one from Assicurazioni Generali.

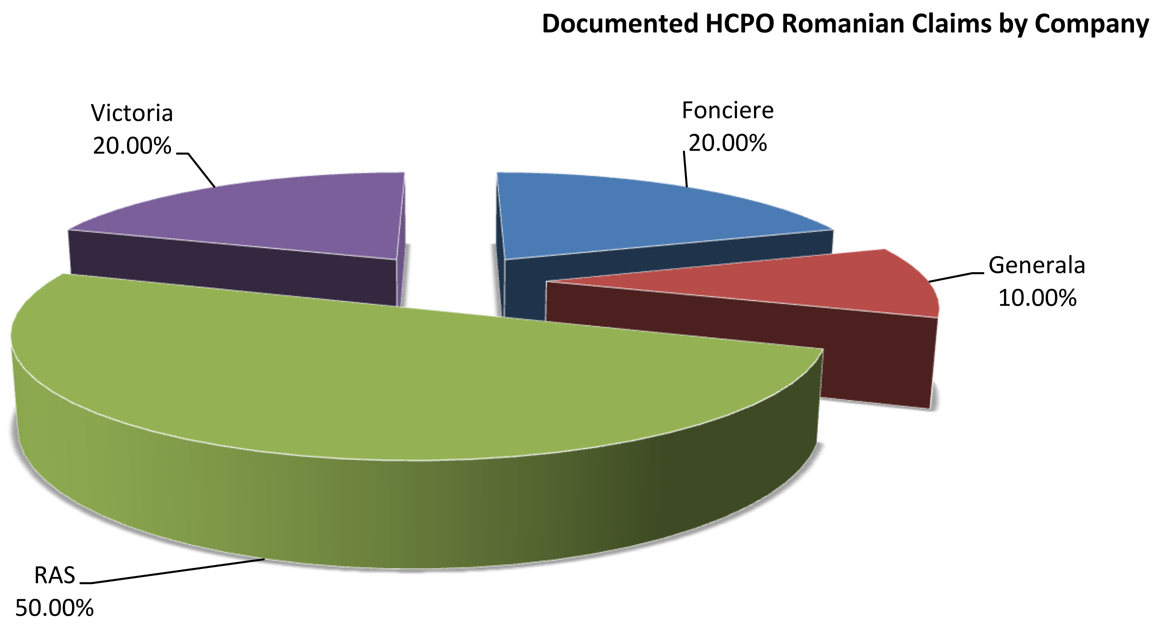

Figure 14

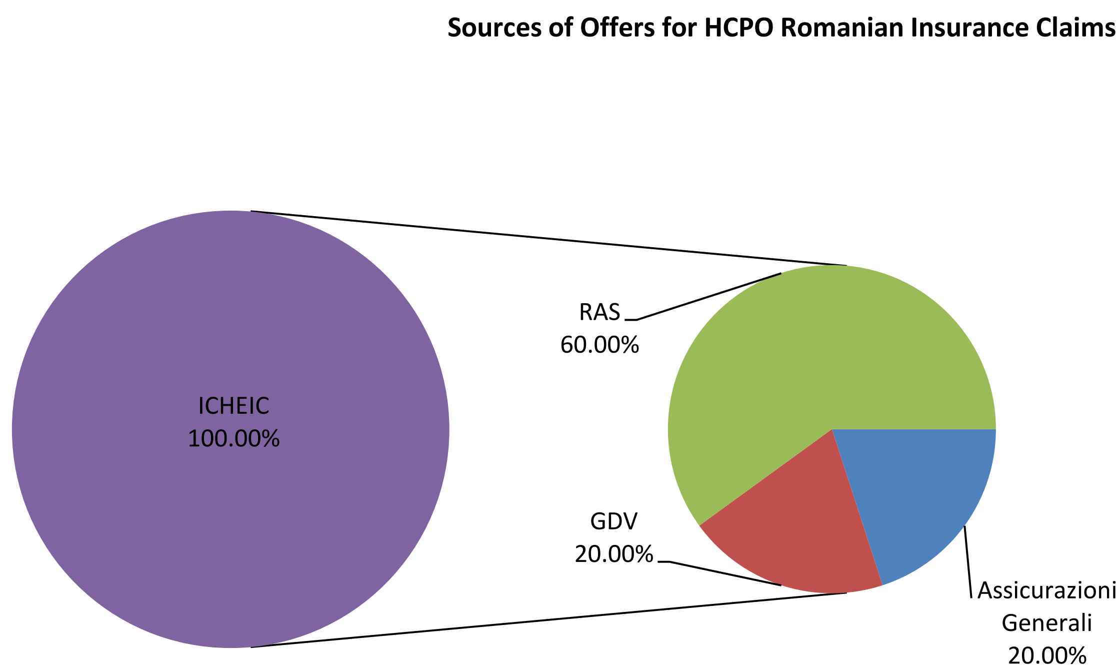

Figure 15

Yugoslavia

The HCPO received 26 documented claims for policies issued in the former Yugoslavia. Twenty-two of these received offers; four were denied because the policies had lapsed prior to the Holocaust era in Yugoslavia. Of the offers, 21 came throughthe ICHEIC process, with eleven from Assicurazioni Generali, eight from the Generali Trust Fund and two from 8A2. One other offer was directly from a non-ICHEIC company.

Documented HCPO Yugoslavian Claims by Company

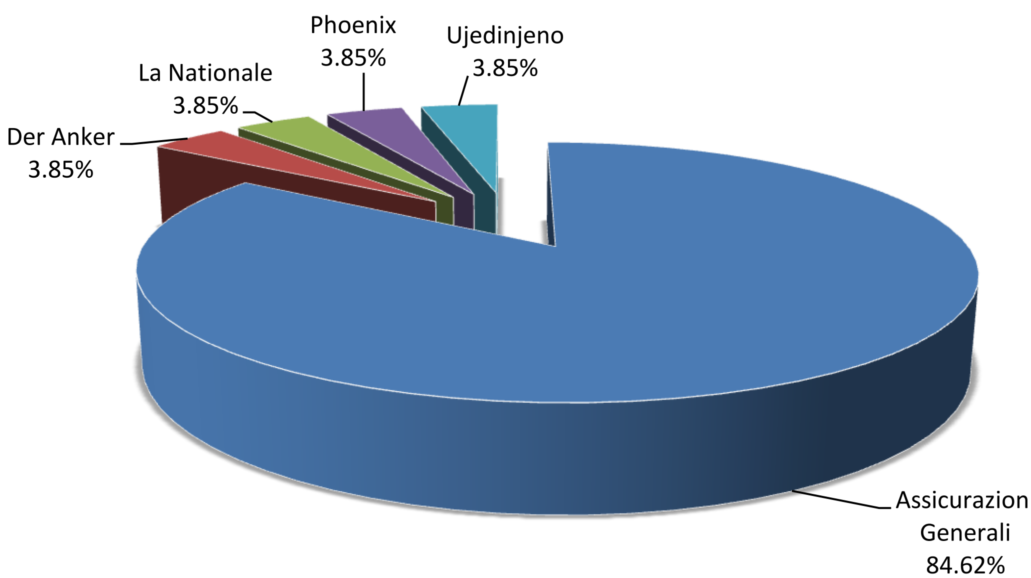

Figure 16

Sources of Offers for HCPO Yugoslavian Insurance Claims

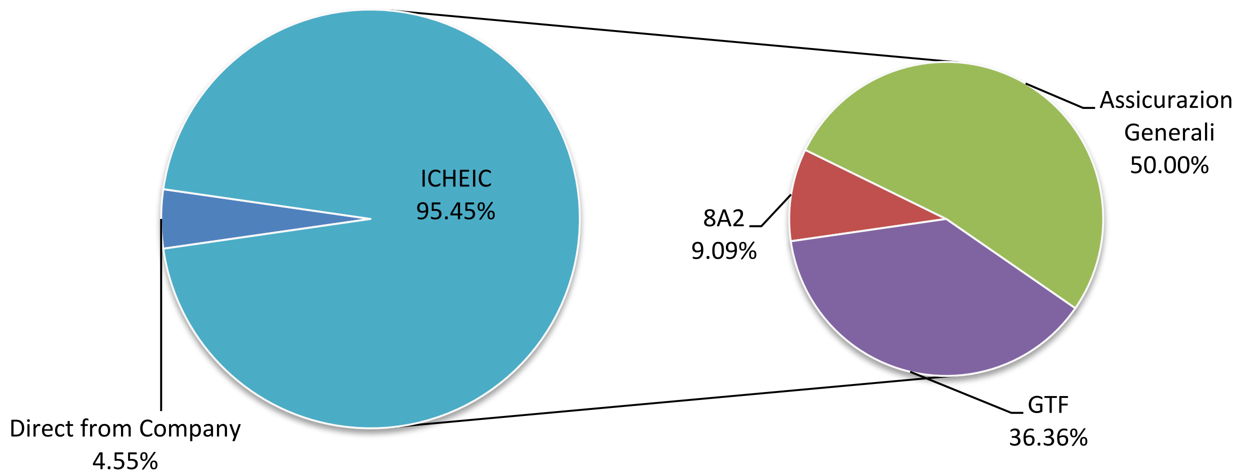

Figure 17

Bulgaria

The HCPO received 33 documented claims for policies issued in the Bulgaria. Of these, 31 received offers and 2 were denied, because they had either been previously paid by a company or had been compensated through a German program. All of the offers on Bulgarian came through ICHEIC, and 22 of the 31 (71%) were through the 8A2 humanitarian fund.

Documented HCPO Bulgarian Insurance Claims by Company

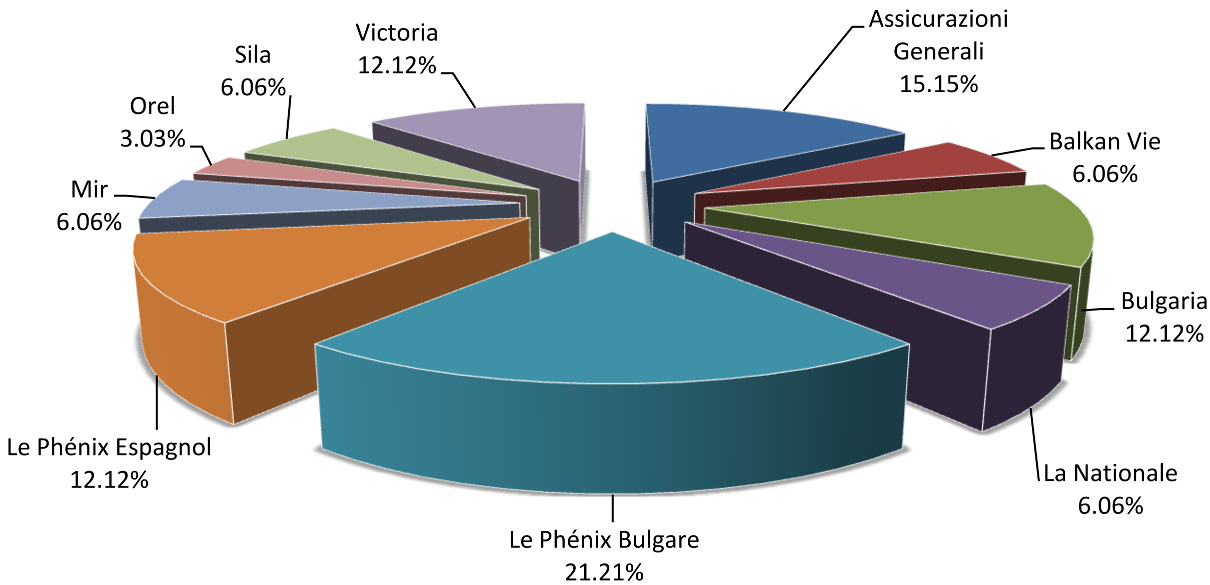

Figure 18

Sources of Offers for HCPO Bulgarian Insurance Claims

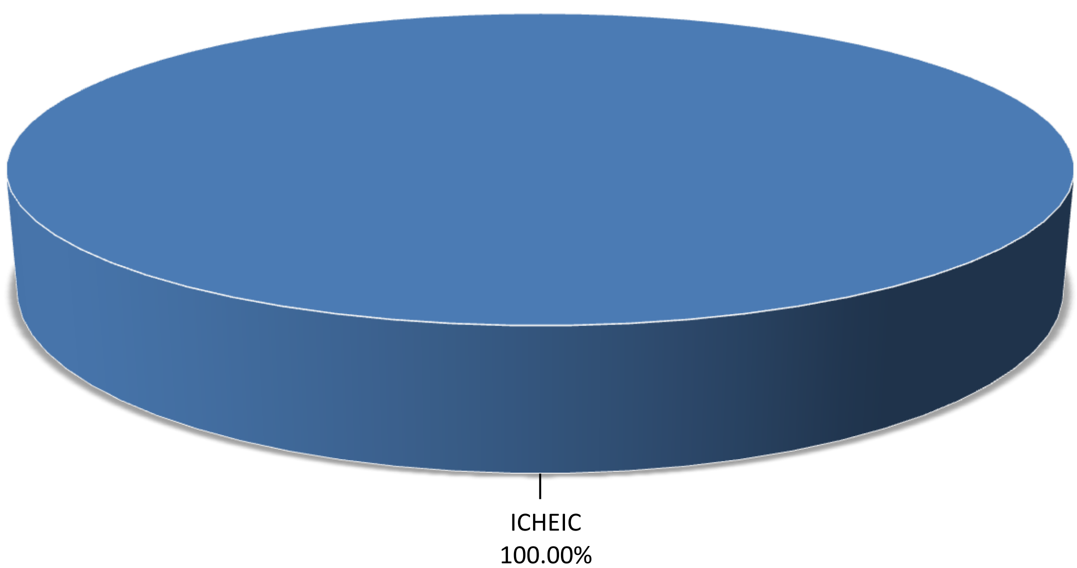

Figure 19

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The statistics regarding HCPO claims are compatible with what we have learned about the prewar life insurance market as a whole. The size of the German market is quite clearly seen from the much larger number of documented German claims received by the HCPO. The large percentage of payments from the GSF on Austrian claims is also easily understandable given the large number of Phoenix/ÖVAG policies claimed, reflecting the dominant market share of Phoenix in the Austrian market.

A few deviations from what we know of the market do show up in an analysis of the HCPO's claims, most notably the large share of Generali offers in the total number of offers made on Czechoslovak, Polish and Hungarian policies. In section 4, we saw that domestic companies made up the bulk of the market in all three of these countries (65.62 in Poland, 69% in Czechoslovakia and nearly 73% in Hungary) and yet we have a seemingly anomalous situation in which foreign companies made offers on policies issued in these countries in numbers that far outstrip their market share. However, the anomaly is easily explained with reference to the fate of domestic insurance companies in these countries after World War II; all insurance companies, foreign and domestic, were nationalized in Poland, Czechoslovakia and Hungary.

The domestic companies, however, did not have offices outside the countries in question; nor do they have modern-day successors. The foreign companies often had copies of the policies they had issued at their home offices, so today documentation can be far more readily available in the case of a nationalized branch of foreign company than in the case of a nationalized domestic company. Moreover, since there are no successor companies to the nationalized domestic companies, there is nowhere to turn unless the claimant can establish the existence of the policy independently from the company.

In contrast, given that many of the foreign companies doing business in Eastern Europe do have some records of their portfolios from the period, the claimant did not always have to provide information regarding the company and the details about the policy. ICHEIC's research database did help to establish proof of the existence of many nationalized East European policies issued by both foreign and domestic companies, and the 8A2 process helped to pay claims on companies that had no successors.

Executive Summary

Economic, social, and political chaos plagued Europe in the aftermath of the First World War. Three empires were dissolved, new nations were created, and new political systems were introduced. In addition, the humiliating conditions of the peace treaties turned public opinion against both the Allied powers that imposed the settlements and the center-left governments that had been forced to sign the treaties.

To finance World War I, the Germans as well as the Austro-Hungarians turned to loans rather than taxes and after the war currencies lost their value at alarming rates; in Germany the mark lost 1 trillion times its value and by the summer of 1919, the value of the Hungarian crown had declined by 85%. Poland also suffered a postwar hyperinflation, such that 1924 prices were nearly 100,000 times that of 1914. During this period of hyperinflation, prices on average quadrupled each month. This development was catastrophic for the pre-World War I middle-class; pensioners, shopkeepers, and all those Germans who had responded to patriotic appeals and invested in war bonds, saw their incomes melt away. Hyperinflation eventually wiped out the capital of German and Austrian banks contributing to the bank failures of the early 1930s.

The events of the early 1920s in Central Europe were a sharp reminder that economic chaos had been the handmaiden of revolutions in the past. In order to defuse a clearly untenable situation a plan was crafted by the Allied Reparations Commission to stabilize the currency and bringing increased foreign investment and credit to the European market. Germany, Austria and Hungary were able to stabilize their currencies with outside help – massive loans from the League of Nations – and new currencies were introduced in the mid-1920s. Poland introduced the zloty to stabilize currency but it was overvalued against gold and not stabilized until 1926. Unlike the other countries formed out of the wreckage of the Austro-Hungarian Empire, the new Czechoslovak Republic managed to escape the worst of the postwar economic and political turmoil that afflicted its neighbors, experiencing only a relatively mild and short-live period of inflation in the immediate aftermath of World War I.

In general, the mid-to-late 1920s were a period of relative calm and moderate economic growth for most European countries. Structurally, the German economy in the 1920s was marked by high degree of industrial concentration and export dependency. Austrian progress toward economic recovery during this period largely relied upon tax benefits for Austrian industry while the country remained hampered by severe trade competition from neighboring countries. Due to the dynamic trade policies of the new Czechoslovak state, which did not amass a particularly large foreign debt, capital flowed into the country from Western Europe. Farther east, the countries of Southeastern Europe, Hungary and Poland remained largely dependent on agricultural production, which remained technically backward and labor intensive. State policies of land reform in Eastern Europe failed to stimulate technical improvements in agriculture or increase agricultural productivity even during the relative boom years of the 1920s.

This period of relative prosperity in the countries of Central and Eastern Europe was short-lived, however. The decline in agricultural prices that began in 1928 was followed by the collapse of the New York stock market in 1929 and world-wide economic depression. During the Depression, access to foreign capital, which had been so critical to the growth experienced by the countries of Central and Eastern Europe during the 1920s, virtually dried up. The financial sector in Central and Eastern Europe also experienced a series of bank crises, which ended the availability of new loans and credit on the international financial markets. Central and Eastern European countries labored at a further disadvantage, being, for the most part, debtor countries, with large proportions of their national debt held by foreign governments and banks, who called outstanding loans as they too began to feel the pinch of financial crisis.

As the Depression continued and deepened, the agrarian economies of Eastern Europe were particularly hard hit. Accordingly, the countries of Central and Eastern Europe sought to restore the balance of trade by imposing quotas and high tariffs on imports. Countries across Europe effectively abolished the gold standard and central banks restricted currency convertibility in an effort to stop capital flight and placed foreign exchange transactions under their purviews, introducing a two-tiered exchange rate system.

The nations of Central and Eastern Europe were also plagued by massive unemployment, which in turn, often, though not always, led to political instability. In many countries, as established political parties seemed unable to cope with the economic crisis and impoverishment of their populations, voters turned increasingly to more radical parties of the left and the right.

In the wake of this global economic collapse salaries and wages were increasingly cut and more insured borrowed against their policies to pay debts which could not be paid with depreciated stocks, bonds, or other assets. Yet, given the economic uncertainty introduced by the currency crises of the early 1920s and the banking crises of the early 1930s, the purchase of whole life insurance policies (and related life products, such as dowry and endowment insurance) became one of the primary methods of savings for many people in Europe during the interwar years. Insurance denominated in hard foreign currencies (or gold) sold by foreign insurance companies seemed to provide a security lacking in national currencies and/or national banks.

In continental Europe, Germany was by far the largest market, with nearly 5 times the premium income in 1936 of the next largest Continental European market, France. Compared to other Eastern and Central European countries, the German insurance market was even more dominant, dwarfing its closest neighbors. The size of the German insurance market in 1936 is reflective of the size and wealth of the German economy as a whole.

Parallel to developments in the banking and manufacturing sector, the German insurance industry also underwent a period of turmoil during the early 1920s, followed by a high level of concentration during the 1920s and 1930s. The hyperinflation of the 1920s led to a combination of increasing policyholder underinsurance and rising costs for insurers. By 1922-1923, old policies were worthless and the revision of premiums and values on policies could not keep pace with the rapid devaluation of the currency.

After the introduction of exchange controls during the July 1931 banking crisis, holding foreign-exchange or gold-denominated policies was no longer particularly easy and these policies, in any case, lost some of their attractiveness. Such conversions were made compulsory by an August 1938 law of general application.

By 1936, even with the wave of consolidation and concentration that the insurance industry had undergone, there were still over 80 companies – public, private and foreign – selling life insurance in Germany. The life insurance market in Germany was dominated by private companies, although these varied widely in their scope and aims. The total number of life insurance policies sold by private companies in Germany increased from 21.2 million at the end of 1934 to 26.2 million by the end of 1936. The largest single private insurer was the giant Allianz Konzern. In addition to private insurance companies, there were also a substantial number of publicly owned provincial life insurance companies, which made up nearly 13% of the market. Foreign companies did not play a large role in the German market. Their contribution to total premium income in the German domestic market was less than three percent, and the number of policies issued by foreign companies in force in 1936 was a scant 126,000.

Meanwhile, the Austrian insurance industry in the interwar period suffered a series of shocks, beginning with the collapse in 1918 of the single insurance market provided by the Austro-Hungarian Empire. All insurance companies that had once had their seat in the territory of the Austro-Hungarian Empire were permitted to continue their operations in the territory of the Austrian Republic, while Austria promised not to disadvantage these foreign companies by taxing them differently or charging different types of fees. The treaty did not, however, impose a similar reciprocal condition on the other successor countries (i.e. the Czechoslovaks did not have to permit Austrian companies to operate on their territories, although Czechoslovak companies could operate in Austria).

Hyperinflation in Austria had devastated the insurance industry, as the value of the Austrian crown plummeted. Although insurance companies had a portion of their assets in foreign currencies or gold, the largest share of their assets were in Austrian crowns (not to mention various war bonds that had completely lost their value). Just as in Germany, hyperinflation caused the costs of running the companies to exceed the value of premiums paid. Policyholders suffered too, however, since their policies were largely unsecured and the nominal values lost all meaning.

The real blow to the Austrian insurance industry came with the Phoenix bankruptcy in 1936. The Phoenix company was by far the largest life insurance company within Austria, accounting for 62% of all premiums paid in the domestic market in 1935. In addition to its dominant position in the domestic Austrian market, Phoenix was also active in twenty-two countries, and was the third largest company (including life and non-life products) in Europe. Because Phoenix was such a large company that was active in so many countries, its collapse caused major upheavals in the insurance industry all across Europe. The Phoenix crisis was a crisis for the entire Austrian life insurance industry, as the burden of the Phoenix reorganization and rescue was born by policyholders of other insurance companies.

In Czechoslovakia though 26% of the capital of the insurance industry came from foreign investors, a law was passed in 1924 forbidding insurance companies to denominate their policies in currencies other than Czechoslovak crowns.

Poland, despite its large size, had a very small and underdeveloped insurance market, with only about a quarter million life insurance policies for a population of 32 million. The total premiums paid for Poland in 1936 were 32 million Zloty, or just over $6 million 1936 US dollars.

The interactions of the German insurance industry, the indigenous companies of occupied Europe, and foreign insurers in each occupied country mirrored the complexity and overlapping jurisdictions of the social and political organizations set up in each of these countries. The Nazi occupation of most of Central and Eastern Europe provided the German insurance industry with an opportunity to expand beyond the borders of the Reich. Even in places where German companies were banned from doing direct business, they were able to find a way to indirectly enrich themselves – with the connivance of the authorities – through the purchase of indigenous companies. Meanwhile, the state also enriched itself at the expense of much of the occupied population, particularly the Jewish citizens who were systematically robbed by agencies of the Third Reich before their eventual murder.

Regardless of differing modes of governance and differing processes of spoliation in the areas occupied by or allied with Nazi Germany, the end result was the comprehensive looting of Jewish property, and ultimately, the physical destruction of the Jewish communities and their members in each of these regions.

Wherever Jews were murdered locally, the theft of their assets was often more directly linked to their murders: i.e. Jews were stripped of the few possessions they were able to carry with them to the sites of their deaths. However, in the areas where Jews were progressively disenfranchised and persecuted over a period of months and years, a veneer of legality was applied to their dispossession by the state. In general, though there are certainly exceptions to this rule, the length and complexity of the process of spoliation was directly linked as well to the relative wealth of the Jewish population of the area.

In the first years of the Nazi regime, Aryanization of the private insurance industry proceeded for the most part at the highest levels among the boards of directors and top executives. The largest insurers and re-insurers, many with international businesses, were able to hold out against the prevailing climate of anti-Semitism the longest. However, after 1938, the dismissal of Jewish employees of insurance companies became both more pervasive and more systematic.

At least in the prewar period, the Nazi regime was unwilling to provoke international public opinion by simply cancelling the contracts of Jewish policyholders. Moreover, non-Jewish asset owners (such as those who provided mortgage loans) would have been imperiled by the cancellation of the property insurance of Jewish policyholders. Thus, pre-war attempts to revoke Jewish-owned insurance contracts were more subtle and protracted than the Aryanization of the businesses themselves.

Deprived of their livelihoods, many policyholders cashed in insurance policies (and other financial assets) in order to pay their bills or, often, to pay off taxes that were mandated before they could emigrate. The Foreign Exchange Control Law of December 12, 1938, opened new ways for the state to discriminate against non-Aryan policyholders. Jewish-owned policies could be confiscated at will, and payments from insurance contracts were deposited in blocked accounts, rather than being paid out to the policyholder. The subsequent passage of the 11th Decree of the Reich Citizenship Law of November 1941 ultimately stripped all Jewish "emigrants" of their assets and provided for their confiscation by the state and the seizure of Jewish insurance assets proceeded with ever-greater rapidity and efficiency.

The situation in Poland and Baltics was still more complex because Soviet occupation preceded Nazi invasion and the Soviets carried out their own seizures and confiscations based on the principle of class warfare. Therefore, many individuals in Eastern Poland and the Baltics had already lost many of their assets by the time the Germans occupied those territories. In Eastern and Southeastern Europe (Croatia,Slovakia, Romania, Bulgaria and Hungary), the Germans employed a wide variety of allies to carry out their policies towards Jews, Communists and other 'undesirables.' The governments of these countries cooperated intensively with German economic schemes for the region and were willing to hand over Jews in territories they had recently occupied to the German regime.

Even before the surrender of Germany in May 1945, one of the stated policies of the Allies was that, to whatever extent possible, reparations should be made to the victims of Nazi persecution. Restitution, i.e. the restoration of property which was confiscated or subjected to other forced transfers, varied in the countries which were either under the direct or indirect control of Nazi Germany. Restitution was the province of administrative bodies, courts, and specially created semi-judicial entities. The speed of the process also depended on the procedures involved, the number of claims presented, and the adjudicating organization.

Lastly, in many of the countries of Eastern and Central Europe, restitution became entangled in a further process of seizure and nationalization effected by the Communist regimes that were in power until the early 1990s. The same property could and often was seized multiple times from different individuals; an insurance policy might have been seized from its Jewish owners by the Nazis, then restituted to them or their heirs during the brief period between the end of Nazi occupation and the beginning of Communist rule, only to then have the company liquidated or nationalized by the new Communist regimes.

The German Federal government assumed the responsibility for paying out the proceeds of insurance policies (rather than shifting the burden to the insurance companies themselves) because insurance companies had been compelled to invest heavily in government bonds, now rendered virtually worthless by the 1948 currency reform that established the new Deutschmark as the official currency of the Federal Republic at the rate of ten Reichsmarks to one Deutschmark. Since the calculation of insurance benefits under the compensation law was to be made as if the policyholder had continued to hold the policies (unpaid premiums and payments made directly to the policyholder were deducted from compensation, but any payments to government authorities, blocked accounts or seizures were compensated), the insurance companies would have been required to pay out too many obligations to remain solvent.

The sole obligation of the insurance companies was to answer all questions regarding the policies being reviewed by compensation authorities, and the Federal supervisory authority audited insurance company records to ensure that the companies were accurately calculating the amount of compensation due. The actual compensation amounts were paid out by the Federal government.

In Austria, The Insurance Companies Transition Act of July 13, 1946, limited payment of life insurance claims to 40%; amounts up to 400 schillings were paid out in full. Then with the passage of the Insurance Reconstruction Act of September 8, 1955 insurance companies were instructed to draw up a balance sheet for the years 1945-1954 and all life insurance contracts concluded before January 1, 1946 were reduced by 60%. This was in line with the measures taken in respect to cash and bank accounts, and applied to the domestic portfolios of insurance companies authorized to operate in Austria. The Insurance Reconstruction Act required all policyholders to register their insurance claims within two years. After that deadline such claims were deemed to have irrevocably expired.

The problem of the restitution of Jewish property in Czechoslovakia after World War II was closely linked to the complex political, social and economic developments of the immediate post-war period, which included the expulsion of German-speaking residents as well as the re-incorporation of Slovakia. The Czechoslovak government's Decree No. 5 of May 1945, placed all private insurance companies in Czechoslovakia under government administration. A further decree from October 1945 provided that "on the day this decree is published, contractual (private) insurance in the territory of the Czechoslovak Republic is nationalized by the state." Insurance payments to policyholders were blocked, until 1953, when they were formally cancelled.

In the other states of Eastern and Central Europe, which became Soviet satellites by the late 1940s, attempts to restitute property seized as a result of persecution were either non-existent or lasted for so short a time that there was virtually no possibility for anyone to file claims.

Despite some seemingly comprehensive programs of restitution, there were major lacunae in the postwar compensation processes. As a result by the late 1990s it became apparent that beneficiaries of insurance policies held by victims of Nazi persecution had yet to receive payment for those policies. After negotiations among the National Association of Insurance Commissioners, European insurance regulators from France, Germany, Italy, Austria and Switzerland, European insurance companies and the Jewish groups a Memorandum of Understanding was executed establishing the International Commission on Holocaust Era Insurance Claims, which was charged with investigating and resolving unpaid insurance claims of Holocaust victims, survivors and their heirs.

The statistics regarding HCPO claims are compatible with what we have learned about the prewar life insurance market as a whole. The size of the German market is quite clearly seen from the much larger number of documented German claims received by the HCPO. The large percentage of payments from the GSF on Austrian claims is also easily understandable given the large number of Phoenix/ÖVAG policies claimed, reflecting the dominant market share of Phoenix in the Austrian market.

A few deviations from what we know of the market do show up in an analysis of the HCPO's claims, most notably the large share of Generali offers in the total number of offers made on Czechoslovak, Polish and Hungarian policies. Examination revealed that the domestic companies made up the bulk of the market in all three of these countries (65.62 in Poland, 69% in Czechoslovakia and nearly 73% in Hungary) and yet there is a seemingly anomalous situation in which foreign companies made offers on policies issued in these countries in numbers that far outstrip their market share. However, the anomaly is easily explained with reference to the fate of domestic insurance companies in these countries after World War II; all insurance companies, foreign and domestic, were nationalized in Poland, Czechoslovakia and Hungary.

The domestic companies, however, did not have offices outside the countries in question; nor do they have modern-day successors. The foreign companies often had copies of the policies they had issued at their home offices, so today documentation can be far more readily available in the case of a nationalized branch of foreign company than in the case of a nationalized domestic company. Moreover, since there are no successor companies to the nationalized domestic companies, there is nowhere to turn unless the claimant can establish the existence of the policy independently from the company.

In contrast, given that many of the foreign companies doing business in Eastern Europe do have some records of their portfolios from the period, the claimant did not always have to provide information regarding the company and the details about the policy. ICHEIC's research database did help to establish proof of the existence of many nationalized East European policies issued by both foreign and domestic companies, and the 8A2 process helped to pay claims on companies that had no successors.

Trying to assign an overall present-day US dollar value to the prewar European insurance market is highly contingent on the chosen valuation method (e.g. consumer-price index; thirty-year Treasury bond yields). Nevertheless, in order to provide a reference point in present-day terms, ICHEIC's valuation guidelines were used to calculate the value of the 1936 direct premium income across the European market, using the most generous multipliers for each country. This method of converting 1936 dollars to present-day sums, unlike using the US Consumer Price Index or long bond rates, takes into consideration the deflation suffered by most European currencies after 1945. The total value of the 1936 market in 1936 US dollars (converting the 1936 local currency to the 1936 US dollar using the end of year exchange rates for 1936) yielded a market valued at slightly over $900 million dollars.[1] Bringing the market value up to December 2006 values, as this was the final date for ICHEIC decisions, yielded a December 2006 value of the prewar market at just over $13 billion; this sum, which includes premium receipts for policies purchased by those who were never and those who eventually became victims of Nazi persecution, exceeds the estimated value of as yet unpaid insurance policies.

Victims of Nazi persecution made up a small percentage of the prewar population of the largest European insurance market (Germany, 0.5%); moreover, the country with the

[1] This includes the premium income figures for Austria, Belgium, Bulgaria, Czechoslovakia, Danzig, Denmark, Estonia, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Netherlands, Norway, Poland, Romania, Switzerland, and Yugoslavia.

largest percentage of Nazi victims (Poland) had a relatively small and underdeveloped insurance market. It is therefore unlikely that billions of dollars worth of insurance policies belonging to victims of Nazi persecution remain unpaid, particularly after the extensive compensation programs of the 1950s and 1960s as well as modern-day processes such as ICHEIC, the Austrian General Settlement Fund and other entities previously discussed.

No system – be it a voluntary program or the courts – can resolve all the wrongs done during the Holocaust.

Working directly with claimants over the past 14 years has provided the HCPO with a unique vantage point. As we continue to assist individuals find some measure of justice we have learned that not every resolution of a claim depends on the recovery of an asset or monetary settlement. Success can consist of obtaining closure for a claimant, for example, by providing documentation that shows earlier compensation of the property.

The process of restitution is difficult and distressing for claimants; however, the HCPO's successes show that compensation for assets lost during the Holocaust-era is still possible. The HCPO's experience has shown that thoughtful research in conjunction with utilizing the mechanisms currently in place to process claims can minimize the difficulties suffered by claimants in dealing with matters of Holocaust-era asset compensation.