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ONE HUNDRED SEVENTH CONGRESS

# Congress of the United States

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April 19, 2002

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The Honorable Dan Burton  
Chairman  
Committee on Government Reform  
2157 Rayburn House Office Building  
Washington, DC 20515

Dear Mr. Chairman:

I am writing to you regarding the Justice Department's investigation into the takeover of Executive Life Insurance Company by Credit Lyonnais, a French bank.

In 1991, the California insurance commissioner seized California-based Executive Life, when the insurance company's \$6 billion junk bond portfolio collapsed. Through various front companies, Credit Lyonnais secretly gained control of Executive Life. At the time, federal law prohibited a bank from owning an interest in an insurance company; California state law also prohibited (and still prohibits) a foreign government from holding an interest in a California insurance company. After taking over Executive Life, Credit Lyonnais sold the company's junk bond portfolio and reaped gains estimated at \$2.5 billion.<sup>1</sup>

Because of Credit Lyonnais's potentially fraudulent conduct, the more than 300,000 policyholders of Executive Life saw their payments from policies and annuities decrease by as much as 40%.<sup>2</sup> Many states were subsequently forced to pay millions to compensate policyholders. Indiana, for instance, has apparently paid out over \$26 million in connection with Executive Life.

According to press accounts, career prosecutors in the U.S. Attorney's Office in Los Angeles have recommended an indictment of Credit Lyonnais and several former executives.<sup>3</sup>

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<sup>1</sup>*Credit Lyonnais Probe Could Lead to Loss of U.S. License*, Los Angeles Times (Jan. 20, 2001).

<sup>2</sup>*Id.*

<sup>3</sup>*Ashcroft Pressed to Prosecute French Bank*, Los Angeles Times (Mar. 1, 2002); *Fraud Alleged in Purchase of Executive Life*, Los Angeles Times (June 20, 2001).

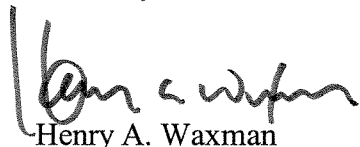
However, the Justice Department is reportedly considering a more lenient settlement with Credit Lyonnais that would include a fine, but no criminal charges against the bank.<sup>4</sup>

There has been speculation that the Justice Department's apparent unwillingness to follow the recommendation of its career prosecutors may be the result of intense lobbying efforts by the French government. Press accounts indicate that French President Jacques Chirac has raised the subject with President Bush and the French foreign minister has lobbied Secretary of State Colin Powell.<sup>5</sup> Credit Lyonnais has also enlisted former Deputy Attorney General George Terwilliger, a close political ally of President Bush and Attorney General Ashcroft, to personally lobby the Justice Department's top political appointees.<sup>6</sup>

I do not know whether the career federal prosecutors are correct in recommending an indictment of Credit Lyonnais and its former executives. In addition, it is impossible to know what substantive impact Credit Lyonnais's lobbying efforts are having inside the Justice Department. It is essential, however, that whatever decision the Justice Department ultimately reaches – whether it seeks an indictment or reaches a settlement – be based solely on the merits of the case.

This is an important matter not only for California, but also for Executive Life policyholders all over the country. I believe our Committee should monitor the Justice Department's handling of this case and ensure that any prosecutorial decisions are based solely on the facts and relevant law, and not on political considerations. I ask for your assistance in this effort.

Sincerely,



Henry A. Waxman  
Ranking Minority Member

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<sup>4</sup>*Ashcroft Pressed to Prosecute French Bank.*

<sup>5</sup>*How State's Junk Became French Riches*, Los Angeles Times (Sept. 9, 2001).

<sup>6</sup>*FBI Candidate's Continued Role in Fraud Case Faulted*, Washington Post (June 16, 2001).