

STATEMENT OF PETER A. LEFKIN

SENIOR VICE PRESIDENT

FIREMAN'S FUND INSURANCE COMPANY

BEFORE

THE COMMITTEE ON GOVERNMENT REFORM

ON ISSUES RELATING TO THE IMPLEMENTATION

OF THE GERMAN AND AUSTRIAN AGREEMENTS

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Good Morning Mr. Chairman, Congressman Waxman and other distinguished Members of the Committee. My name is Peter Lefkin, and I serve as Senior Vice President for Government and Industry Affairs for Fireman's Fund Insurance Company. Our company, which is headquartered in Marin County California, some 20 miles from the Golden Gate Bridge has been in business for over 135 years. Since 1991, it has been owned by Allianz AG, a major German financial services company that is headquartered in Munich, Germany.

I am here to contribute to your investigation and will answer your questions as well as I can. I am here today in response to a letter of invitation from the committee, however, I will have to state at the outset that my own expertise is limited since it was the American and the German Government which negotiated the Executive Agreement and it was they also jointly drafted the language of the German Foundation Law. I have no personal knowledge about the agreements between the US and Austria nor is Allianz involved in the negotiations taking place between ICHEIC and the Foundation. I may have to refer some of your questions back to the parties involved in those negotiations for detailed responses.

It is a particular honor to be on the same panel with Secretary Eagleburger, who Chairs the International Commission on Holocaust Era Insurance Claims. While progress was probably slower than all of us, particularly Secretary Eagleburger, would have wanted, much has been achieved. The ICHEIC has established relaxed standards of proof for the processing of claims which serves to acknowledge the passage of the time and the practical difficulties of the survivors, their beneficiaries and heirs in locating relevant documents as well as valuation guidelines. Following these claims handling procedures, Allianz and all other ICHEIC member companies are settling eligible claims.

ICHEIC has also performed valuable work on the difficult issue of policies which may have remained unpaid as a result of Communist nationalization in Eastern Europe.

The issue of individually unpaid insurance policies is one which Allianz takes most seriously. The goal of the company has been to be as open and transparent as possible.

Before I comment on the creation of ICHEIC and Allianz's role, I should comment on the history of the German restitution process.

After the war and with the encouragement of the Allied governments, the Federal Republic of Germany established a comprehensive restitution program which included insurance policies. More than DM 100 billion has been paid in compensation to the victims of Nazi persecution, which in today's value would amount to the equivalent of several hundred billion US Dollars.

Along with individual payments, the process for restitution and reparations included agreements with the State of Israel and the Conference on Jewish Material Claims Against Germany – the legal heir to all Jewish property in Germany – to specifically address those policies where a claimant did not or could not come forward during the almost 25 year period the German compensation programs were in place, or where the policy remained heirless.

These payments and programs took into account all elements of property taken by the Nazis, including insurance. As a result of restitution and these comprehensive proceedings, the number of unpaid insurance policies of Holocaust victims that arise from German portfolios is very small. They generally relate to very specific circumstances that prevent individual persecutees from filing their applications with the compensation authorities in Germany. It is my understanding that in their negotiations with the German Foundation the ICHEIC stated the total amount of unsettled policies to be less than \$ 30 million. In the experience of German companies and considering how comprehensive the compensation proceedings were, the estimate appears to be somewhat high.

In 1997, Allianz on its own, had established a 24 hour helpline to field inquiries throughout the world in which individuals could attempt to ascertain whether or not they or one of their relatives had a policy which may have gone uncollected.

Beginning in late 1997 public hearings were conducted throughout the United States by insurance regulators in several states as well as the National Association of Insurance Commissioners. In Congress, the House Banking Committee held hearings in February 1998. Allianz made every effort to testify in these proceedings.

One thing that was learned from these hearings was that the history of insurance during the most terrible period of the Holocaust was a very complex one with noticeable differences from country to country. The majority of policies held by the German Jewish population were surrendered before World War II began and only very few remained unpaid or were confiscated by the Nazi regime. As mentioned earlier, these policyholders were included in the post-war restitution program. This confirmed previous research which had been conducted by Allianz and the German Federal Insurance Commissioner.

We also learned in these most important hearings in 1997 and 1998 about what former Deputy Treasury Secretary Eizenstat has called the "double victims of history." These are people who were issued insurance policies before World War II in countries that located in Eastern Europe. Communist regimes, which were established after the war, seized the policyholder assets as well as the records of the insurance companies. In taking such action, they also assumed the obligation to make payments. While claims payment practices varied among governments, as a general rule they appeared to be limited to only those people living in the country at that time. This effectively foreclosed indemnification to people who may have emigrated to Israel, United States, Canada or any other nation where the remnants of the Eastern European Jewish population fled.

Allianz recognized very early on that it was important to work with other people of good will to formulate, in the absence of a legal obligation, a humanitarian solution to benefit

the elderly Holocaust victims. It worked quite closely with Neil Levin, the former Superintendent of Insurance of New York, who died tragically in the World Trade Center on September 11th and other insurance regulators to establish an International Commission composed of insurance regulators, representatives of Jewish organizations in the United States and Israel along with European insurance companies. Mr. Levin was a leading and effective advocate for Holocaust victims. He is greatly missed by all of us.

In September 1998, when the ICHEIC was established, Allianz joined as one of the founding members on behalf of the entire Allianz Group of companies. This includes RAS and other Allianz affiliates whose markets are outside of Germany.

The creation of the ICHEIC, was meant to look at the entirety of the European market, with a strong emphasis on the market outside of Germany. Therefore, I am surprised that no other ICHEIC member company was invited to testify today.

Prior to the creation of the International Commission and the German Foundation, Allianz had been reviewing and paying claims that were submitted after the expiration of the governmental compensation process.

Allianz remains steadfastly committed to justice for the victims of the Holocaust. It has taken a series of affirmative steps over the years to ensure that this occurs. It has provided over 140,000 names to ICHEIC of Holocaust-era policyholders for processing at Yad Vashem in Israel. It has been a leader in establishing ICHEIC and completed all requirements of the Memorandum of Understanding. Under the ICHEIC process it is actively researching every inquiry it receives and settling all eligible claims.

Through its own internal process and the ICHEIC claims procedures, Allianz has settled over 220 claims.

Allianz was mindful that ICHEIC with its few participating insurance companies could be inadequate in resolving all these cases due to its limited scope. The companies which

comprised ICHEIC constituted only about 25 percent of the prewar European and German marketplace. Therefore the majority of inquiries and claims received by ICHEIC would probably not be satisfied due to lack of marketwide access.

By the end of October Allianz has received either from ICHEIC or directly over 13,000 search inquiries which list Germany as the country of policy origin. Research is still ongoing in about 1700 cases. For more than 10,400 cases our research established that no connection to any of our German life insurance companies had existed. We hope ICHEIC will turn those names over to the German Insurance Association so that further research will be possible. So far in only slightly more than 1000 cases could we establish that a life insurance policy was applied for with any of our German companies.

Aware of the inherent limitations of the ICHEIC, whose membership represented 25% of the pre war European market, Allianz became a founding member and leader of the German Economy Foundation Initiative. The Initiative and the Government of Germany, in July 2000 established a historic agreement to create and fund a German public foundation to provide the final capstone to all labor, insurance and other issues arising from this most terrible period of German history.

The Foundation was created with the full cooperation of the governments of the United States and Israel, several major Jewish organizations representing Holocaust victims throughout the world, and five Eastern European governments. The German government and German industry pledged some DM 10 billion, the overwhelming amount of which was directed towards compensating people who suffered as slave and forced laborers during World War II. Some DM 550 million was allocated to cover the insurance sector.

Germany and the United States and all other parties also agreed that the claims procedures should be those that were already promulgated by ICHEIC as of July 2000. Negotiations were to take place between the International Commission, the German Insurance Association and the Foundation to adopt these procedures and to discuss ICHEIC funding.

Over the last year, there have been ongoing negotiations between the Foundation and ICHEIC led by the former German Ambassador to the United Nations, Dr. Hans Otto Braeutigam and Chairman Eagleburger. On a personal note, I probably find myself agreeing with everyone on this panel in saying too much time has passed and that an agreement is needed soon.

I would hope that the Committee and the public recognize that it always takes at least two parties to make an agreement, and in this case several. Public confrontations whether made here or in other forums will only set back and not advance the process. All sides have a moral obligation to work together in good faith. Although I understand that the ICHEIC and Foundation negotiators have disagreements, I also understand that there is progress being made, and am hopeful a full agreement can be reached shortly.

Ultimately, I believe that too much good work has been done by too many outstanding people to let it fail.

I would also encourage all of the parties to reduce the level of rhetoric. We are after all sharing a common mission. Far too often "inquiries" which do not even mention a company are converted in public parlance to "claims". This only serves to inflame the dimensions of the problem and exacerbate tensions.

The architecture for addressing the outstanding issues is in place, and what remains to be done is to put in place a marketwide solution which builds on that already established at ICHEIC.

I am very hopeful that this will be achieved shortly. But at this stage, I have to remind you that even though I have been asked to testify, Allianz is not an active party to the ongoing negotiations.

In closing, Mr. Chairman, I am reminded of testimony given by Glenn Pomeroy, then Insurance Commissioner from North Dakota and former President of the National Association of Insurance Commissioners, at the Washington Conference on Holocaust Assets in December 1998. He praised the President of the World Jewish Congress, Rabbi Israel Singer for his statement urging the parties to work together. "Let cooperation be our cornerstone and not confrontation because if confrontation is the chosen path, no one will win and everyone will lose."

These words apply today to all of the parties to the discussions to take their responsibilities seriously.

I thank you again Chairman Burton for this opportunity to testify and the fair treatment afforded to me by you and the other Members of the Committee.